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GERMANY
Bonn or Berlin – a capital question
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World News | Business Summary

Talks open on political future of N Ireland

Northern Ireland's four main political parties sat down together for the first time in 16 years yesterday to decide the political future of the troubled British province.

The historic talks opened in Belfast despite a last-minute threat to the negotiations from the leader of the loyalist Democratic Unionists.

But the start of talks was marred by another sectarian murder. A 38-year-old part-time soldier in the Ulster Defence Regiment was shot dead by masked gunmen as he arrived for work in Belfast. Page 8

Volcanic action

Filipino volcano experts said Mount Pinatubo, which has killed at least 63 people, was "simmering down". Manila is expected to seek fresh loans to fund volcano damage repairs.

In Japan, Mount Unzen erupted again, spewing out ash and lava rocks up to a metre wide. Experts forecast more eruptions. Page 4

German-Polish treaty

Germany and Poland signed a friendship and non-aggression treaty aimed at burying ill feelings left over after the Second World War. Page 2

Bush upbeat on arms

US president George Bush said he had received a "very important" letter from president Mikhail Gorbachev indicating Soviet determination to reach agreement on arms control.

Apartheid pillar falls

South Africa's parliament repealed the Population Registration Act, last remaining statutory pillar of race segregation. Page 4

Pressure on Israel

Washington is set to step up pressure on Israel and Syria in a bid to break the stalemate over Middle East peace talks. Both countries have set mutually unacceptable conditions for attending. Page 18; Fear of settlement drive, Page 4

Bolivian coca protest

Bolivian peasants, many of whom depend on coca leaf crops, blocked roads in protest at a decision to enlist the army in the fight against cocaine trafficking. Page 18

Order to Dutch farmers

Dutch farmers, the world's most intensive users of pesticides, must halve the amount of chemicals they spray on crops by the turn of the century, the government said.

Yilmaz appointed

Former Turkish foreign minister Mesut Yilmaz was named prime minister after defeating the ex-premier in a contest for control of the ruling Motherland Party.

China criticises Vatican

Beijing accused Pope John Paul II of meddling in its affairs by appointing a Chinese priest as a cardinal. The cardinal, now living in the US, spent 30 years in a Chinese prison for refusing to denounce the Roman church.

Denver bank raid

Four bank guards were shot dead in the US city of Denver by a robber who penetrated a complex security system and escaped with at least $100,000.

Prince takes rest

Prince Charles has cancelled all but one of his remaining June engagements because of back pain – but he will attend Friday's London parade of British Gulf forces.

Thoughtful theft

Burglars who raided a Norwegian military warehouse broke in again next day to return stolen ammunition. "Sorry if there is any damage," a note said. "You really must improve security on the door."

Consortium battles for Fairfax media group

FAIRFAX Group: A branch of the Fairfax family, which once headed Australia's oldest newspaper empire, is attempting to regain control of the 150-year-old media group.

John B. Fairfax has joined forces with Tony O'Reilly, the Irish chairman of the US-based Heinz food group, to put together a bid. The group was put into receivership by its banks in December with debts of $1.3bn. Page 21

PIRELLI, the Italian tyres and cables group which has been locked in a lengthy takeover battle for Continental, its German counterpart, has taken a call option over a key 5 per cent stake in the German company. Page 20

VIAG, the German industrial holding company, received approval from the European Commission to proceed with its acquisition of the European operations of the US group Continental Can, creating Europe's second largest packaging company. The acquisition should double the annual turnover of Viag's packaging operations to $3.4bn. Page 20

LITTON Industries, the Beverly Hills-based industrial and oilfield services group, hit by the weakness of the automotive market, plans to cut operations at its integrated automation division and take a $100m charge against fourth-quarter earnings. Page 21

BAA, the former British Airports Authority, announced a 3.5 per cent drop in annual pre-tax profits to £247m ($405m) because of larger than expected provisions on property interests and the impact of the Gulf war and the economic recession on its airports business. Sir Norman Payne, BAA's chairman, also announced he would be retiring at the end of next month. Page 18; Lex, Page 18

PEPSI-COLA International is to invest $80m by 1996 in what it called the biggest investment yet in post-Communist Poland by a US consumer products company. The investment includes modern bottling lines, convenience packaging, a training program and expansion of distribution facilities.

DEVENISH, the UK brewer, won its fight to remain independent after the Takeover Panel rejected complaints by Boddington, the pubs and hotel group, of alleged irregularities in the vote on its bid. Page 19

H.J. HEINZ, the US food group, turned in a 12.6 per cent increase in 1991 net income to $568m, reflecting currency movements, higher prices and volume, and acquisitions. Page 21

AIRBUS Industrie clinched a $2bn order from Kuwait Airways for up to 24 new aircraft, against stiff competition from Boeing of the US. Page 3

VOLEX Group, the UK manufacturer of wiring systems and electrical accessories, reported a 41 per cent drop in annual pre-tax profits to £4.16m ($6.8m). Earnings per share dropped from 31.6p to 17.9p; nevertheless, the final dividend was held at 10.5p to maintain the total payout at 17p. Page 20

CANADA'S Belzberg family, once among the most feared North American corporate raiders, may dilute its holding in its flagship company, First City Financial, as part of efforts to cope with a severe financial crunch. The meeting was also told that Mr Sam Belzberg has relinquished his position as First City's chairman, although he will remain a director. Page 21

INNOVATION: British companies have a great deal to learn from the Germans' approach to innovation, according to a report by the Centre for the Exploitation of Science and Technology. Page 10

Britain rejects EC treaty 'with a federal goal'

By David Buchan in Luxembourg

BRITAIN yesterday rejected part of a draft treaty, backed by most of its European Community partners, which described the EC for the first time as "a union with a federal goal".

Mr Douglas Hurd, the UK foreign secretary, said: "We do not intend to be committed to the implications which, in the English language, the phrase "federal goal" carries".

The word "federalism", surfacing seriously for the first time in the Community's 33-year history, appeared in a draft preamble to a rewritten Treaty of Rome, drawn up by the Luxembourg presidency.

Britain's misgivings were shared, although to a lesser extent, by Denmark and Portugal.

Mr Hurd said that, while it might have looser connotations in other languages, "federal has come to mean something tight and integrated in English". He added that the Community's founding fathers had been much wiser to write the more vague term "ever closer union" into the original 1958 Treaty of Rome.

It seems most unlikely that, at the expected conclusion of the intergovernmental conferences in December, the political union negotiation – on which monetary union effectively hangs – will fail over one word. But yesterday's flare-up over federalism, with its suggestion of an eventual European government, symbolises the growing debate over the EC's final destiny.

European Community business was crippled and meetings on European political union disrupted yesterday as many of the EC institutions' 25,000 civil servants began a two-day strike. Page 18

The EC "needs a vision" to steer towards, said Mr Jacques Delors, the Commission president.

Any concept of European federalism is anathema to the so-called Bruges Group in Britain's ruling Conservative party which is already causing trouble for Mr John Major on the parallel issue of a single currency.

By beefing up the Treaty of Rome's introduction, the Luxembourg presidency appeared to have succeeded in quelling strong complaints that the Commission and European Parliament were being shut out of foreign/security policy and police and judicial co-operation.

But the price of this compromise is a description of the treaty as "marking a new step leading gradually to a union with a federal goal", and setting one of the Community's aims as "the eventual framing of a common defence policy".

A subsequent intergovernmental conference – by 1996, some states proposed – would review the treaty "to reinforce the union's federal character".

EC foreign ministers will meet once more on Sunday before the government heads gather in Luxembourg on June 28-29.

Yesterday's meeting marked the end of a brief Anglo-French tactical alliance on one issue. Both Paris and London have wanted to keep the Commission and parliament out of foreign/security policy, and police co-operation. To meet their wishes, Luxembourg created a "three pillar" structure, with a revised Treaty of Rome covering standard EC business, including economic and monetary union, and separate procedures allowing governments to deal more or less directly with each other in foreign affairs and home police matters.

Other EC states and the Commission objected. So Lux-

Continued on Page 18

Sterling under pressure

By Rachel Johnson, Economics Staff, in London

STERLING came under heavy selling pressure yesterday, as domestic political and economic worries added to international factors undermining the currency.

There was a technical reason behind sterling's fall to a close of DM2.925 after DM2.935 on Friday. The UK monetary authorities said a drop in the peseta at the end of last week had given the pound more room to fall inside the currency grid of the European exchange rate mechanism.

Traders, however, regard the pound as vulnerable – at least until upheavals in the ruling Conservative party come to an end.

Concern about the government's unpopularity and expectation that the force of the recession will lead to more interest rate cuts drove down the pound to DM2.9186 at one point yesterday, amid no signs of government intervention. On its trade-weighted index against a basket of currencies, sterling lost almost half a point to close at 89.4.

Further cuts, however, will depend on the peseta and the strength of the pound. As the strongest ERM currency, the peseta determines how far others are allowed to fall.

The peseta had been trading at its upper limit against the weakest currency, the French franc, for several months. This had raised sterling's lower limit against the D-Mark to around DM2.87, even though its central rate of DM2.95 theoretically allows sterling a lower limit of around DM2.77.

But the peseta fell – as did sterling's lower limit – after Mr Carlos Solchaga, the Spanish finance minister, hinted last week that he might cut Spanish interest rates or lock the peseta into narrower bands within the ERM.

This gave traders more leeway to sell pounds yesterday, in the expectation that political pressures might cause sterling to lose several more pfennigs against the D-Mark. If it did, there would be little risk of intervention until it approached the new lower limit determined by the weaker peseta.

Official figures yesterday

Continued on Page 18

Currencies, Page 36

Arab states agree Kuwait defence after US pullout

By Victor Mallet and Mark Nicholson in Kuwait City

ARAB members of the multi-national alliance which defeated Iraq in the Gulf war have drafted an agreement to supply ground forces to protect Kuwait after western troops finish their withdrawal in the next three months.

About 26,000 troops from the Gulf region, Egypt and Syria will join a restructured Kuwaiti army in a long-term operation to deter future Iraqi aggression.

The outline agreement reaffirms the March 6 Damascus declaration signed by the six Gulf-Co-operation Council states (Saudi Arabia, Kuwait, United Arab Emirates, Oman, Bahrain and Qatar) together with Egypt and Syria.

The pact, which envisaged an Arab peace-keeping force, had been threatened by differences between the Gulf states and their Arab wartime allies.

There was concern in Washington and in the Gulf when President Hosni Mubarak of Egypt, apparently upset by Kuwait's desire for western protection, announced in May that all Egyptian forces were being unilaterally withdrawn without any alternative arrangements in place.

Those differences now seem to have been resolved – possibly with the help of cash aid from the Gulf states – although the Syrian and Egyptian contingents remain small.

Sheikh Saad al-Sabah, the Kuwaiti Crown Prince and prime minister, was quoted yesterday by the Egyptian newspaper al-Akhbar as saying: "We are currently developing the Damascus declaration and executing all its points."

Sheikh Saad gave no details, but it is understood that the Arab troops will be deployed in tiers behind the trip wire of the United Nations Iraq-Kuwait Observer Mission which patrols the border.

The Kuwaiti army will be in the front line, backed up by 10,000 Saudis, 10,000 GCC troops, 3,000 Egyptians and 3,000 Syrians in different sectors.

The last 3,700 US combat troops are expected to withdraw from Kuwait by September, while the remaining British troops should be out by the end of July, although the west will maintain air and sea power in the region with ships and aircraft carriers.

Sheikh Saad said President Saddam Hussein was plotting to invade Kuwait again, but western governments believe that Iraq does not have the capability to attack in the near future.

Sheikh Saad said: "The hope lies not in the presence of foreign troops but in the agreement of the Gulf Co-operation Council with dear Egypt and sister Syria."

Officials from the GCC, Egypt and Syria will meet in Qatar on Monday to discuss arrangements for the joint Arab force and to prepare for a meeting of foreign ministers in Kuwait next month.

The deal which has now emerged is reminiscent of the situation in 1961, when British troops flew in to deter an Iraqi invasion and were replaced by an Arab League force.

Soviet prime minister Valentin Pavlov, right, confers with his deputy Vladimir Shcherbakov, centre, and an aide after his speech to the Supreme Soviet yesterday

Pavlov demands greater power for Soviet cabinet

By Leyla Boulton in Moscow

MR Valentin Pavlov, the Soviet prime minister, yesterday demanded additional powers for the central government to tackle the country's economic problems amid signs of possible tension with President Mikhail Gorbachev.

As Mr Gorbachev struggled to finalise a draft for a new union treaty giving sway power to the country's republics, Mr Pavlov said the cabinet needed powers such as those already enjoyed by the president, to initiate legislation and issue decrees.

Mr Pavlov also appeared to dismiss the economic and political proposals drawn up by Mr Grigory Yavlinsky with Harvard economists to dovetail Soviet reforms with foreign aid. "I know certain gentlemen at Harvard ... They do not know our life, or our views on life. They impose their criteria and tell you how to live and work."

Mr Yavlinsky said, however, that Mr Gorbachev was "fairly positive" about the plan, which he presented to him yesterday, while Mr Boris Yeltsin, the Russian president-elect, also voiced satisfaction with it.

Mr Vladimir Scherbakov, the economics minister, was more conciliatory than Mr Pavlov, saying the government had yet to read the plan brought back from the US by Mr Yavlinsky on Saturday.

But he admitted the cabinet did not always get the kind of support it needed from President Gorbachev, who often had a different approach to problems. While Mr Gorbachev looked at longer-term political aims, the cabinet had the task of managing the economy, and sought decisions which were not always politically popular.

Mr Pavlov also reiterated his view that Europeans were more eager to help the Soviet Union than the US. "I know the US system. To get money you need to go to Congress to say that the Soviet Union needs help, you need to stand in a queue ... let those who want to queue go ahead, but without me."

He nonetheless favoured Mr Gorbachev's meeting with the G7 countries next month, saying the president would seek financial assistance to make the rouble internally convertible from next year. But he said efficient government required the power to take quick decisions and that it was physically impossible for President Gorbachev to handle all the responsibilities he has.

For instance, to save this year's harvest, the central government had to be able to draft manpower and machinery from industrial enterprises to the fields.

Mr Pavlov's tough line appeared to enjoy the support of conservatives in the Soviet Parliament, many of whom are alarmed by the prospect of a further weakening of the assembly's powers as a result of responsibilities being devolved to the republics. Mr Pavlov called for a limit on the republics' quest for sovereignty and attacked the demands of Russia and others for the right to own and control all the natural wealth on their territory.

While President Gorbachev met leaders of nine of the 15 republics to argue about such points, the parliament was supposed to discuss an anti-crisis programme signed by the government and the leaders of eight republics. But parliament put off the debate, opting to hear instead a report in closed session by the defence minister and the head of the KGB.

The feeling in parliament was that there was little point discussing the anti-crisis programme, if the real negotiations were taking place at the meeting of republican leaders.

Yugoslav republics prepare ground for secession, Page 2

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Argentina embraces free trade in its fight against inflation

Goods ranging from machine tools to Mercedes Benz cars are pouring into Argentina after Mr Domingo Cavallo (left), economy minister, cut import tariffs and abolished almost all trade barriers. Page 3

MARKETS

STERLING
New York lunchtime: $1.6265
London: $1.6265 (1.64); DM2.925 (2.935); FFr9.9325 (9.9675); SFr2.5125 (2.5125); Y229.25 (230.5); £ Index 89.4 (89.8)

GOLD
New York: Comex Aug $370.8 ($373.0)
London: $367.6 (369.35)

N SEA OIL (Argus)
Brent Aug $18.27 (−0.1)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime: DM1.798; FFr6.1075; SFr1.545; Y141.0
London: DM1.798 (1.789); FFr6.1075 (6.0775); SFr1.545 (1.5325); Y141.0 (140.5); $ Index 68.2 (67.9)
Tokyo close Y140.93

US LUNCHTIME RATES
Fed Funds 5¾
3-mo Treasury Bills: yield: 5.74
Long Bond: 98¾; yield: 8.46

STOCK INDICES
FT-SE 100: 2524.0 (+1.7)
FT Ordinary: 1977.6 (+1.3)
FT-A All-Share: 1211.78 (unchanged)
New York: DJ Ind. Av. 3,004.7 (+4.25); S&P Comp 381.58 (−0.71)
Tokyo: Nikkei 24,943.09 (−150.8)

LONDON MONEY
3-month interbank: 11⅜ (11⅜)
Liffe long gilt future: Sep 89½ (89½)

Baltic republics likely to inject controversy into Berlin meeting

CSCE ministers set to approve crisis procedure

By Robert Mauthner, Diplomatic Editor

A NEW emergency procedure for defusing sudden crises in Europe is expected to be approved by foreign ministers from 34 east and west European countries, the US, Soviet Union and Canada at a conference starting in Berlin tomorrow.

The crisis management mechanism is one of the most important issues on the agenda of the first meeting of the Conference on Security and Co-operation in Europe (CSCE) to be held at ministerial level since the adoption last November of the Paris Charter on a new European security order.

The member states, which look on the CSCE as the best forum for dealing with east-west co-operation following the end of the cold war, are expected to invite Albania to join their organisation, now that the Balkan state has embarked on democratic reform.

Albania's admission is supported by all member countries, but the status at the conference of Lithuania, Latvia and Estonia – the three Baltic republics striving for independence from the Soviet Union – is proving more controversial.

Germany, the host country, has invited the three states as guests. They will be able to attend the public opening session, but not subsequent closed sessions. However, the Baltic states, with the backing of Scandinavian countries, are seeking full participation in their own right, which is opposed by the Soviet Union.

The new crisis management procedures were foreseen in the Paris Charter, but only in brief outline. Britain has been to the fore in wanting to flesh out proposals.

The emergency mechanism is intended to reassure the central and eastern European countries, searching for new collective security arrangements to replace the defunct Warsaw Pact, that they can turn to the CSCE in the event of a threat to their frontiers or even their internal security.

Under the proposed procedure an emergency meeting of CSCE officials could be called by only a few member countries, circumventing the consensus rule which normally applies to CSCE decisions. The exact number needed to summon an emergency session has yet to be agreed, as has the definition of what is an emergency.

Some member countries fear the procedure will enable other countries to bring up sensitive problems which are normally exempt from outside interference. Turkey, for instance, is believed to fear that Greece might use the mechanism to raise the dispute over Cyprus.

Ministers are also due to discuss ways of activating the Vienna-based Conflict Prevention Centre set up under the Paris Charter, as well as economic co-operation between western and eastern members, new proposals for arms control, and the critical situation in Yugoslavia and the Baltics.

Yugoslav republics prepare ground for secession

By Judy Dempsey, Eastern Europe Correspondent

THE existence of Yugoslavia as a federal state will be formally undermined next week when the two western republics of Slovenia and Croatia declare their independence.

Although these two republics will not declare immediate secession from the federation, the declaration of independence will be more than symbolic. It will set in motion a mechanism whereby the two republics will eventually secede if they are neither allowed to disengage from the federation peacefully, nor able to redefine their relations with the other four republics in a newly-constituted Yugoslavia.

The declaration carries many problems. Mr Andro Ocvirk, the deputy prime minister of Slovenia, admits it will be costly for this small Alpine republic of just over 2m people. "Slovenia accounts for 30 per cent of total GDP. Over 23 per cent of our goods are sold to the Yugoslav market, 19 per cent are exported, and the remainder go to the local market.

"We will have to quickly find new markets in Europe and make our industry more competitive," he explained. "Unemployment, which is now 8 per cent, could increase to 15 per cent."

Mr Joze Mencinger, an economist at the university of Slovenia, and former deputy prime minister, believes independence will also lead to a fall of 30-40 per cent in living standards. "This is the cost for an export-orientated economy," he says. He adds that the government will have to impose a tight monetary policy in order to re-build its foreign exchange reserves. This will mean a squeeze on spending and a freeze on wages.

Mr Ante Markovic, the federal prime minister who is struggling to maintain the integrity of the country, last week warned Slovenia that it was accountable for \$3.7bn of Yugoslavia's \$12bn public debt. "You cannot just take your share (of Yugoslavia's financial cake) and run," he said. Slovenia also accounts for about \$1.8bn of the foreign debt which totals \$14.8bn.

Mr Ocvirk insists: "We are not running out of Yugoslavia. It will take a long time to negotiate our way out of the federation."

Like neighbouring Croatia, the democratically-elected government in Slovenia is being pushed by popular opinion. In a referendum last December, Slovenes overwhelmingly voted for independence.

Croatia's formal declaration of independence will galvanise public opinion behind President Franjo Tudjman, but it is likely to prolong instability in the republic.

Unlike Slovenia, which is largely ethnically homogeneous, 11 per cent of Croatia's 4.5m population is Serb. Encouraged by Serbia, the Serbs in Krajina, in the south-west of Croatia, earlier this year declared their independence from Croatia.

The response by Croatia's government has undermined the republic's fragile democratic institutions. Croatia has lapsed into a semi-authoritarian state; the media have been cowed into submission; fundamental economic reforms have been removed from the agenda. Like Slovenia, Croatia now has its own army.

Despite threats from Mr Markovic to stem the independence drive, the federal government is not in a position to halt the two republics. They would defend themselves if the federal army were deployed specifically against their declarations. "We will defend ourselves [against the Serbs or the federal army]. We will buy arms from anybody," said Mr Zoran Mrsic, the minister in charge of privatisation.

Nor can the federal government impose an economic blockade since it needs revenue from the republics as much as it needs fresh credits from international financial institutions.

Mr Markovic still believes in negotiations about *retaining* Yugoslavia as a state for the *short term*.

Slovenia and Croatia believe in negotiations about *disengagement* in the *long term*. Next week's declaration will highlight the increasingly open conflict between the centre and the republics.

Italian group wins order for compressors

By Haig Simonian in Milan

NUOVO PIGNONE, the Florence-based gas turbines subsidiary of Italy's Eni group, has won an order worth about L200bn (£91m) for the supply of process turbo-compressors to Petronas, the Malaysian national petroleum company.

The turbo-compressors, which are used to lower the temperature of natural gas to below 160 degrees Celsius as part of the liquefaction process, will be used for three natural gas liquefaction lines at Bintulu. When operational the Bintulu plant will produce 7.5m tonnes of liquefied natural gas (LNG) a year for the Far East market.

Each line will comprise two compression trains, consisting of huge centrifugal and axial compressors driven by gas and steam turbines, delivering an installed power in excess of 400MW.

The order marks the first time large gas turbines, with unit powers exceeding 80MW, are being used to drive process compressors. Until now gas turbines of this size have been used exclusively for generating electricity, according to Nuovo Pignone.

The Italian company has already applied its technology in Australia, where its turbo-compressors are used at a 6m tonne-a-year LNG plant at Karratha.

Romania PM agrees to talks with workers

MR Petre Roman, Romania's prime minister, backed away from his refusal to hold talks with thousands of engineering workers after strikers staged a protest march through the capital yesterday, Reuter reports from Bucharest.

At the same time Romanian doctors followed teaching unions in staging a national strike over pay and health budget funding. Emergency medical services are being maintained.

Almost 10,000 workers from Bucharest's biggest engineering plants streamed to government headquarters on Victory Square waving banners and slogans. They handed a note to Mr Roman demanding inflation-linked pay rises, the sacking of incompetent managers and direct talks. Romanian radio said the premier agreed to hold talks with engineering union leaders today.

Yesterday's protest was the biggest anti-government march in a wave of labour unrest reflecting anger over soaring prices, growing unemployment, material shortages and the pace of economic reform.

It was a foretaste of a rally today which is expected to attract several thousand workers, including miners who were once the government's strongest supporters.

That protest is being organised by the National Confederative Union, the biggest free trade union bloc. It has also called for a strike tomorrow.

Chancellor Helmut Kohl looks on along with his foreign minister, Mr Hans-Dietrich Genscher (right), and Poland's foreign minister, Mr Krzysztof Skubiszewski (front left), as the prime minister of Poland, Mr Jan Krzysztof Bielecki (second left), shakes hands with ex-Chancellor Willy Brandt. The gathering in Bonn yesterday was for the signing of the treaty of friendship and co-operation.

GERMANY AND POLAND BURY THEIR TRAGIC PAST

GERMANY and Poland yesterday buried their tragic past and hailed a brighter future together as their leaders signed a historic treaty of friendship and co-operation, writes Leslie Colitt in Berlin.

Chancellor Helmut Kohl, noting that Poland had agreed to guarantee the rights of its ethnic Germans, said Germany had a "special responsibility" to support Poland's economic reforms and help it join the European Community.

Bonn is also expected to accede to a long-standing Polish demand that restitution be paid to Poles who worked as forced labourers in Nazi Germany.

In turn, Mr Jan Krzysztof Bielecki, Poland's prime minister, said that Poland's path to integration with the EC "leads through Germany".

The accord, together with an earlier treaty finalising Germany's acceptance of the postwar Oder-Neisse border, is to be ratified by the German parliament after its summer recess.

At the signing ceremony in Bonn, Chancellor Kohl said the close relationship forged with France after the Second World War was the model for the reconciliation treaty with Poland.

Mr Kohl pointed out that some Germans, especially those forced to leave their homes in what became western Poland after 1945, found it difficult to accept the treaty as did some Poles, and he appealed to both groups for reconciliation.

As a reminder of the lingering resentment among Germans expelled from Poland, two small aircraft circled over Bonn trailing banners claiming that "Renunciation is betrayal – Silesia remains ours".

However, the head of the Federation of Expellees, Mr Hartmut Koschyk, urged his members to make active use of the opportunities offered by the treaty and said the situation of ethnic Germans in Poland had been decisively improved.

Anti-Mafia party scores in Sicily's local polls

SICILY'S dominant Christian Democrats and a new party preaching rejection of the Mafia both emerged strongly from Sicily's local elections yesterday, a poll that saw the Communist vote collapse, Reuter reports from Rome.

Italian leaders all took part in the campaign, treating it as a dress rehearsal for a general election which must be called before summer 1992. Apart from Communists and neo-fascists, the main losers appeared to be the Socialists, led by former prime minister Bettino Craxi. For the second time in a week, voters dealt Mr Craxi a setback as the Socialists lost ground. The Communist vote went to La Rete ('Network'), a new anti-Mafia party backed by the Roman Catholic hierarchy.

Prime Minister Giulio Andreotti's Christian Democrats saw their share of the vote jump to 43 per cent from 39 per cent at the last poll in 1986.

A former Christian Democratic mayor of Palermo, Mr Leoluca Orlando, brought La Rete out of nowhere to win nearly 8 per cent. In Palermo, his new "clean" message captured a quarter of the vote."This confirms the Sicilians' determination to change and have a new kind of politics," Mr Orlando said. It is the second time Italians have delivered a protest vote against misrule by the political establishment.

The Democratic Party of the Left (PDS), the new face of Italian communism, saw its vote crash to 11 per cent from 19.4 per cent. A dissident Communist Party scored 3.5 per cent.

French telecom industry warned over competition

FRANCE'S telecommunications equipment makers have warned that part of their industry could be consumed by foreign competition, even though exports and growth are strong, Reuter reports from Paris.

Mr Jacques Payer, chairman of the Syndicat des Industries de Télécommunication (SIT), which groups telecommunications companies manufacturing in France, said competition in the telephone and facsimile machine sector had become so fierce that local manufacturing activity could disappear.

He called for help from the European Commission for financing terms equivalent to those enjoyed by non-European companies.

The price of some consumer products, principally faxes and answering machines, dropped by 30-40 per cent in 1990, Mr Payer said. "This is the result of violent competition, which is healthy when it is fair but destructive when the actors do not respect the rules."

Mr Jean-Claude Lavenir, SIT's director, said some manufacturers did not seek approval before marketing new products, while some products did not conform to French standards. SIT also presented a report commissioned from management consultants Butler Cox which concluded that telephone and fax manufacturing was under threat in Europe as a whole.

"Already all the fax machines sold in Europe use foreign technology and components, because there is no longer such technology which is strictly European," the report said.

Europe's telecommunications industry has, together with defence, been resilient in an otherwise weak electronics sector. It accounts for 0.6 per cent of Europe's gross national product and is growing at 7 per cent a year.

The continent represents 24 per cent of the world telecommunications equipment market, the report said.

Greek communists threatened by split

By Kerin Hope in Athens

A SPLIT between hardliners and reformers in the Greek Communist (KKE) party threatens to leave both on the sidelines of Greek political life.

The dispute came to a head at the weekend when Mrs Aleka Paparriga, the party's secretary general, said she was pulling the KKE out of the Left Alliance, a communist-dominated coalition of left-wing parties which made history two years ago by joining a conservative-led government.

The break comes when support for the ruling conservatives is declining but the socialists are making few gains, according to opinion polls.

Mrs Paparriga said that her hardline faction in the KKE was ready to destroy the Alliance under its moderate communist leader, Mrs Maria Damanaki. "The problem is not a split in the Alliance but its actual existence," she said.

Under Mrs Damanaki, the communist reformers have used the Alliance as a platform for trying to modernise the KKE. She stood firm on Sunday, saying: "You can't try to use the argument that the left has been stagnating as an excuse for a return to the past."

But Mrs Damanaki, who currently has the highest approval rating of any Greek political leader, is likely to face pressure to revive her party's prospects by making a strategic alliance with the Socialists. The hardline communists now seem intent on protecting their Stalinist heritage at all costs. They are mostly veterans of the Greek civil war in the 1940s when the communists were defeated by US-backed nationalist forces.

Elderly KKE hardliners gathered outside the House of the People, the party's fortress-like headquarters, on Sunday, shouting abuse at prominent reformers.

Although communist reformers are expected to remain loyal to the Alliance in defiance of Mrs Paparriga, its future remains uncertain, partly because it will lose the financial support of the KKE.

The KKE's substantial assets grew out of an underground network of economic support before the party was legalised in 1974.

Mrs Damanaki and Mrs Paparriga took over their respective posts in February after the retirement of Mr Harilaos Florakis, 76, who led both the KKE and the Alliance.

Mr Florakis, still an influential figure, supports Mrs Paparriga, despite having helped to establish the Left Alliance. He shifted position after KKE backing for the Alliance shrank as a result of power-sharing with the Conservatives, reflecting a feeling of betrayal among the communist old guard, who were jailed or denied jobs under previous conservative governments.

Swedes flock to new political act

A new party has shocked the establishment, Robert Taylor writes

THEY are called Sweden's political odd couple. But Mr Bert Karlsson, a local fun fair impresario, and Count Ian Wachmeister, the colourful owner of a metal company called the Empire, are posing a formidable threat to the earnest, grey world of Swedish politics three months before the country's next general election.

Their sudden rise to public notoriety is quite astonishing. It was only in February this year that the two men launched their political party, New Democracy (ND), which has grown so rapidly that it is already the fourth largest. It has around 10 per cent of Swedish voters expressing support for it. No party in Swedish history has grown so fast in so short a time.

To the horror of the political establishment, ND looks like making it even more difficult to ensure a strong government takes power after the general election on September 15.

Unashamedly populist, ND is exploiting with panache the current mood of cynicism and discontent with conventional party politics sweeping the country. Its targets are all the country's sacred cows – high taxation, the welfare state, expensive alcohol, neutrality and collectivism in all its forms.

ND is attracting support from across the right-left spectrum but especially among young men, bored by the dull self-righteousness of the conventional parties. It has taken a long time but Sweden is now following Denmark and Norway with the emergence of a populist, non-socialist party of the right.

'They say we are crazy, that we are populist, and that we attract malcontents. These dumb criticisms do not hurt us'

"We want to change the system, not a little as all the others do, but completely," said Mr Wachmeister. "It is supposed to take care of people, but people want to take care of themselves."

Wearing red trousers and a flower tie, and sitting in his ornately furnished office in fashionable downtown Stockholm with Andy Warhol's portrait of Monroe behind him, he hardly looks or sounds the sinister Frankenstein portrayed by his political enemies.

"We are like the pea under the pillows of tha princess in the Hans Christian Andersen story," he explains.

"We irritate the other parties. We are not in their club and they have decided we are up to no good. This is all very Swedish. They run politics like a cartel and they want to keep us out.

"We have too much politics in this country. But ND is anti the politicians and the bureaucrats. We are pro the human being. We want to give Swedes space, choice and responsibility."

Tax cutting is the priority. Mr Wachmeister wants to make Sweden a country fit for businessmen to live in. ND demands that tax as a proportion of Swedish gross domestic product must be cut from today's 57 per cent to 47 per cent within five years. It favours slashing the marginal income tax rate from 50 per cent to 40 per cent, as well as abolishing the wealth tax, and halving the tax on inheritance and gifts.

ND wants to sell off all state controlled enterprises to reduce state debt and abolish state monopolies. It supports joining the European Community, denounces Swedish neutrality as "opportunism and cowardice" and opposes all aid to foreign dictatorships. The party wants tougher punishments for criminals. It attacks sickness absenteeism at work as an abuse of welfare.

"We have been accused of everything," says Mr Wachmeister.

"They say we are crazy – that we are populist, that we attract malcontents, that we are just in it for public relations for our businesses, that we are ignorant, that we are a danger to democracy. These dumb criticisms don't hurt us. People can see they are not true."

Indeed, the party insists that it is out "to cheer everybody up". Mr Wachmeister says that Sweden's attitude to alcohol "is absurd".

His party wants to make it cheaper and more accessible. "We should make it easier for people to meet socially. Loneliness is our biggest problem. In our attitude to drink we are like barbarians. More alcohol is drunk in the lavatories than in restaurants."

Thomson clinches defence agreements

THOMSON-CSF, the French state-owned defence electronics group, yesterday announced two foreign co-operation agreements in light torpedos and airport radars, writes William Dawkins in Paris.

A group subsidiary, Thomson Sintra Activités Sous-Marines, has signed an agreement with Whitehead, the torpedo-maker owned by Fiat of Italy, to develop, produce and maintain a new light torpedo for use by the French and Italian navies by 1996.

Thomson also said it had reached agreement with ITT, the US conglomerate, to develop and market a new generation of radars for US airports. They are planning to tender for the replacement of 100 US airport radars, worth an estimated \$330m (£201m). The US Federal Aviation Authority is due to call for bids for the project in the next two years, said officials.

Cresson faces confidence vote

French Prime Minister Edith Cresson faced her first no-confidence motion in parliament yesterday with victory as good as sure, thanks to a Communist party pledge to abstain, Reuter reports from Paris.

France's right-wing opposition parties called the censure vote last Thursday, after Mrs Cresson, a Socialist, said she would force an omnibus finance bill through the National Assembly, using a special constitutional mechanism. This allows governments to pass legislation without a vote, if necessary, unless the opposition deposits a no-confidence motion within 24 hours.

Yilmaz named as Turkish premier

Turkish President Turgut Ozal named the ruling Motherland party's newly elected chairman Mesut Yilmaz as prime minister yesterday, the semi-official Anatolian news agency said, Reuter reports from Ankara. Mr Yildirim Akbulut resigned as prime minister on Sunday after his defeat by Mr Yilmaz the previous day in a contest for party leadership.

Swedes and Poles in airline venture

Swedish airline Linjeflyg, which is 50 per cent owned by haulage company Bilspedition, said yesterday it had signed an agreement with Polish airline LOT to start a regional European airline run as a joint venture, Reuter reports from Stockholm.

Correction

International Economic Indicators

The lower left chart under "growth of trade", published on June 17, should have been labelled "exports".

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WORLD TRADE NEWS

Japanese study how to invest in E Europe

By Robert Thomson in Tokyo

THE Japanese government announced the launch yesterday of a programme designed to train company managers for investment in eastern Europe, which had hoped for a rush of Japaneee funds but hae received only a trickle.

A recent survey by Japan's Association of Corporate Executives suggested that only 26 Japanese companies had so far invested there and that most companies lacked confidence in understanding tha countries' economies and cultures.

The Ministry of Labour said it would sponsor about 20 Japanese managers, who will be sent for a year to aastern Europe to study work customs. The ministry, expected to expand the programme next year, will pay travelling and accommodation expenses and half of tha ealary due to the chosen managers.

"We want to improve the know-how of Japanese companies. The managers will come from manufacturing firms, and there will probably be some smaller companies involved. Before they can invest, companies have to learn how to deal with local people," the ministry said.

The high expectations in eastern Europe of Japanese investment have put pressure on Tokyo, which wants to be seen as playing a role in redeveloping the region. But Japanese companies bave heen wary of potential political and economic instability.

The programme is an extension of a government-sponsored vocational training scheme that has sent Japanese managers to other Asian countries.

Painful embrace of a competitive transformation

John Barham assesses Argentine progress - and reluctance - in implementing trade reform

AFTER years of sterile debats and occasional timid advances, trade reform is beginning to bite in Argentina. Goods ranging from machine tools to Mercedes Benz cars and Mars bars are pouring into Argentina, the government having cut import tariffs and abolished all but a few of its most ferocious trade barriers.

The government's embrace of free trade demonstrates its determination – many would say its desperation – in grappling with Argentina's chronic inflation as well as reviving its moribund industrial base.

On April 1, Mr Domingo Cavallo, economy minister, implemented a new stabilisation law which makes Argentina's currency freely convertible and lets the central bank print money only when tha issue is backed by gold or hard currency. He promised to run a budget surplus, increase taxes and deepen free trade reforms.

Also on April 1, Mr Cavallo reduced the average tariff to 9.4 per cent from 16 per cent and introduced a three-tier tariff structure in which a 22 per cent tariff is paid on manufactures and capital goods competing with Argentine products. Intermediate goods incur 11 per cent and raw materials or capital goods with no local equivalent are exempt from duty.

Officials expect imports to grow by more than 40 per cent this year, to $5.6bn, while exports should fall to $9bn-$9.6bn, cutting the record 1990 trade surplus of $7.9bn to about $3.5bn-$4bn.

Business is already protesting that entire industries face annihilation, claiming it cannot compete with imports while public sector utilities charge high prices, the government imposes heavy taxes and labour costs and inflation are still climbing, making the currency increasingly overvalued.

However, few are admitting that rampant tax evasion more than compensates business for high production costs. Officials say they have already brought energy costs down to international levels in greater Buenos Aires, where Argentine industry is concentrated. Furthermore, tbey have acrapped exchange controls and proposed legislation toreform the rigid labour market.

Other bills before congress would eimplify export and import procedures, create an export-import bank and puniah "unfair" trade practices. The government is also reforming the corrupt and inefficient customs service.

However, companies still complain of excessive hureancracy and delays. Press reports say officials are "mistakenly" charging the 22 per cent tariff on goods that should be entering duty-free. The government has responded by creating a committee, with business participation, to identify trade bottlenecks.

Mr Cavallo also rejects claims that the currency is overvaloed: "If companies cannot export, it is because they are selling the wrong products or because they lack sufficient prodnctivity." Forty years of protectionism have made industry inward-looking, with little incentive to becoma internationally competitive.

IBM's Argentine anbsidiary is a stark exception to the rule. Foreign trade accounts for more than 70 per cent of its $350m-equivalent annual turnover. Mr Alfredo Ballarino, government relations manager, says: "Our philosophy is to reduce costs and maintain competitiveness. Companies often do not have a clear idea of their costs because of inflation and lack of competition."

The government has shrunk from lifting protection of the automobile and consumer electronics industries. Car imports are strictly cootrolled, although integration accords with Brazil allow for increasing bilateral trade in components and vehicles.

The electronics industry – in a controversial free trade zone on Tierra del Fuego in the far south – has won a reprieve by pleading that geopolitical, social and economic factors make it a epecial case. The government and importers have agreed to control imports of consumer electronics so as to force prices down while protecting zone assembly plants.

Mr Carlos Kesman, foreign trade under-secretary, recognises that some hidden barriers remain. High freight and port costs alone add about 16 per cent to the cost of imports. Imports must also pay a further 14 per cent in non-tariff taxes, while customs agents' fees, local taxes and sales margins raise costs by a further 60 per cent.

However, distribution channels are beginning to react to the wave of imports. Mr Diego Santistehan, presideot of the Chamber of Argentine Importers, says: "Retailers may not be substituting their local suppliers, which are often oligopolists or belong to cartels, for fear this trade policy may not laet. But manufacturers are importing more to force local suppliers to lower prices."

Yet Argentine adjustment policies have invariably culminated in yet more inflation and devaloation. Executives are not convinced Mr Cavallo's policies will laet, and have avoided etrategic investment decisions. Foreign critica would add that they lack the entrepreneurial spirit to cut costs ruthlessly and fight for new markets.

Although Argentines hold about $40bn-$50bn in flight capital abroad, the country invests less than 9 per cent of its gross domestic product. Companies are being warned to modergise quickly. Mr Miguel Angel Broda, an influential coneultant, says: "Now, a half-point improvement in costs means something. Before, it was not worth controlling costs when financial investments provided returns of 15 per cent s month."

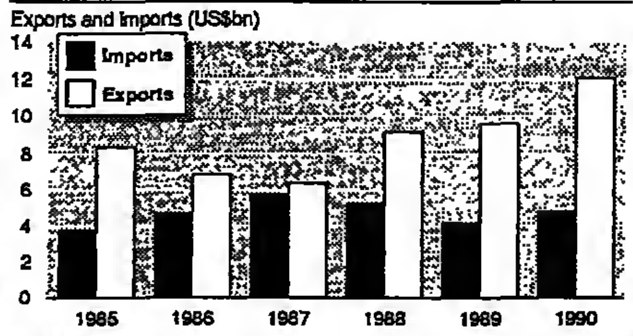
Much depends on trade with Brazil, Argentina's largest trading partner, with which it plans to form a common market in 1995. Bilateral trade is already growing strongly, as phased integratioo steadily takes effect through six-monthly tariff reductions.

Trade with Brazil and exposure to international markets will take a brutal toll in jobs and hankruptcies. However, analysts agree that Argentina is clearly competitive in agriculture, food-processing and eoergy-related industries. Its steel, petrochemicals and engineering sectors could become competitive if ratiooalisatioo were to begin soon.

Rationalisation will be felt first in impoverished provinces far from Buenos Aires. Many wonder if the government will be forced to soften trade policy, as it already has for Tierra del Fuego, remembering mid-term elections are due in October.

Argentina

Exports and imports (US$bn)



Source: IMF

Unilever takes stake in Polish detergents

By Guy de Jonquières in London and Christopher Bobinski in Warsaw

UNILEVER, the Anglo-Dutch food and consumer products group, agreed yesterday to acquire from the Polish government 80 per cent of Pollena Bydgoszcz, Poland's leading laundry detergents producer, for $20m (£12.1m).

The deal is the largest made as part of Poland's privatisation programme.

Unilever plans to invest $24m in the next five years to double the Polish company's production capacity, modernise its washing powder technology and equip it to make liquid cleaning products.

This is Unilever's first investment in an eastern European country, apart from two margarine companies purchased in eastern Germany in April.

Pollena Bydgoszcz, which is to be re-named Polska Lever, accounted for about a quarter of the 280,000 tonnes of detergents sold in Poland last year.

Unilever will be the first western company to benefit from provisions in Poland's new foreign investment law, now in tha final stages of parliamentary approval, which allow the full cost of equity investments to be offset against corporate income tax.

Pepsi Cola International yesterday announced that Tarczyn, near Warsaw, would become its ninth bottling plant in Poland. Pepsi Cola daily produces 1m bottles in Poland and plans to double sales by 1995. The company, which opened its first bottling plant in Poland in 1972, saya it will spend $60m on new bottling lines, new packaging, training and expansion of distribution facilities over the next five years.

Austria food chain agrees Hungarian shareholding

By Nicholas Denton in Budapest

THE Austrian grocery chain, Julius Meinl, yesterday took a majority shareholding in Csemege Trading Company, a leading state-owned Hungarian food retailer.

Meinl is to pay more than Ft2.3bn (£18m) for its stake but did not disclose the exact price. Meinl undertook to invest Ft3bn over the next five years. A public offering to small investors of the minority shareholding retained by the state is expected in 1992.

The signing of the contract marks the most significant privatisation yet in the Hungarian retail sector and contrasts with the sluggish pace of auctions of state-owned shops and restaurants to domestic investors. Of 9,600 outlets earmarked for sale, fewer than 200 have been sold in the programme's first six months.

Meinl's investment is one of several announced recently in Hungary. The government claims that Hungary received more than half of all foreign direct investment in east Europe (excluding eastern Germany) in 1990.

Guardian Industries of the US, the world's fifth-largest flat glass manufacturer, plans to open its Hungarian plant formally in September after six months of building production. Hunguard Float Glass, 80 per cent owned by Guardian, plans to increase annual hard-currency exports to $80m (£48.7m), said Mr Ralph Gerson, executiva vice-president of the parent company.

The construction of a float-glass facility represented an investment of $120m, a quarter in equity. "Wa would anticipate further, downstream investments," Mr Gerson said yesterday.

UK group wins Kuwait power system contract

By Mark Nicholson in Kuwait City

BRISTOL Babcock, the British engineering group, has won a £3.6m contract to rebuild the control room of one of Kuwait's main power stations as the emirate starts a three-year programme to restore its badly damaged power system.

The company expects to complete repairs to the control room at the 5,230MW Doha West station by early next year. The station has provided power since 30 days after the emirate's liberation from Iraq; emergency repairs were carried out by engineers from British Electricity International, a subsidiary of National Power.

Kuwaiti officials say that a further contract, worth $20m, to replace oil fuel tanks common to Doha West and the adjoining Doha East station, is likely to be awarded to Blount, the US engineering group, subject to last-minute details.

Babcock Construction, also part of the Babcock group, is already working on a $1.5m contract on emergency repairs to boilers at four power plants.

All six of Kuwait's combined water and desalination plants were damaged by the Iraqis, along with much of the power and water distribution network. The government is considering bids to repair the control room at Doha East, which was also wrecked.

Mr Ahmed al Adsany, minister of electricity and water, says the government expects to spend KD250m (£500m) on the rebuilding programme, most of which will be spent on restoring more than 3,000km of damaged transmission cables.

Airbus beats Boeing to $2bn order from emirate

By Paul Betts, Aerospace Correspondent

AIRBUS Industrie yesterday clinched at the Paris Air Show a $2bn (£1.2bn) order from Kuwait Airways for up to 24 new aircraft against stiff competition from Boeing of the US. The order is the largest ever placed by the carrier and reflects modernisation and reconstruction of the airline's fleet after the Gulf war.

Mr Jean Pierson, Airbus chairman, said the European consortium was pleased to contribute to the reconstruction of Kuwait. "In addition, this new contract further reinforces Airbus' very strong position in the Middle East."

The letter of intent signed by Mr Ahmed al-Mishari, chairman of Kuwait Airways, and Mr Pierson covers firm orders for three A320 narrow-bodied aircraft, three A310 wide-bodied airliners and five A300 wide-bodied aircraft as well as four A340 four-engined long-range aircraft. Kuwait has also taken options for a further nine Airbus aircraft.

Boeing is expected to announce a fourth customer for its new 777 twin-engined wide-bodied aircraft this week. This is likely to involve Thai International Airways.

Open markets, Page 5

INTERNATIONAL NEWS

Congress casts round for India's next PM

By David Housego in New Delhi

INDIA'S Congress party yesterday embarked on the difficult process of choosing a new parliamentary leader – and hence the party's candidate as prime minister – after it emerged that Congress was the only party able to head a government in the wake of the general election.

A proposal under active consideration last night was for a new Congress-led government to be headed by a collective leadership. Under this Mr Narasimha Rao, 70, the party president, would become prime minister. But a large part of his responsibilities would be shared by Mr Sharad Pawar, the chief minister of Maharashtra, and Mr Arjun Singh, the Congress leader in Madhya Pradesh.

The proposal was put forward by former associates of Mr Rajiv Gandhi, the former party leader who was assassinated three weeks ago, as a way of temporarily shelving the dispute over the leadership and accelerating the formation of a government.

Another party leader with ambitions to the post is Mr Madhavrao Scindia, the former railway minister, who is seen as a leader of the younger generation in the party.

On the basis of computer projections, Congress was expected to win 215 seats of the 511 being contested and its allies a further 15. The Hindu revivalist BJP party led by Mr LK Advani was forecast to obtain 114 seats and the loose National Front/Left Bloc alliance more than 130.

Congress seemed last night to be preparing to go ahead with the formation of a minority government in advance of detailed negotiations with Janata Dal, led by Mr VP Singh, the former prime minister, and the communists – both members of the National Front coalition – on what support they would extend to a Congress government.

Mr Jyoti Basu, the communist chief minister of West Bengal, ruled out his party joining the government but said that it would support Congress from outside on specific issues.

It emerged yesterday that though Congress was likely to win about 18 more seats than it held in the 1989 parliament, its share of the national vote dropped by about 2 per cent to 37 per cent.

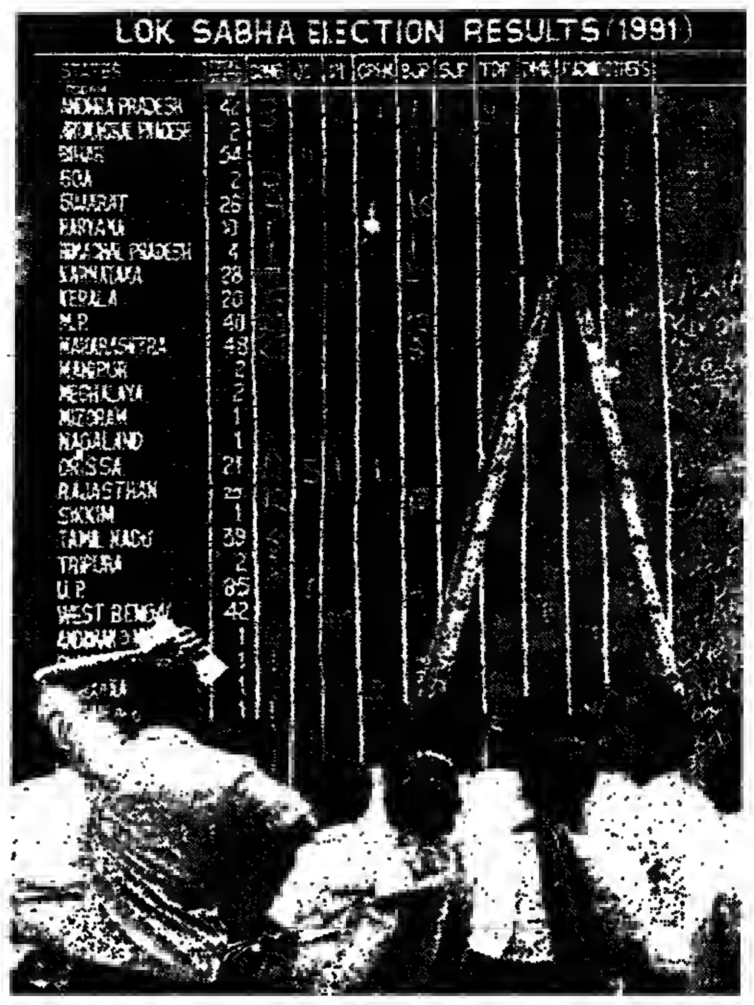
The drop was sharpest in the two largest states of the country – Uttar Pradesh and Bihar – where it fell to less than 20 per cent of the vote. In these two states, which were a traditional bastion of the Congress, its representation in the new parliament is likely to drop to a single seat – Amethi in Uttar Pradesh where Mr Gandhi was standing.

Congress's final showing was also boosted by the impact of Mr Gandhi's assassination on its followers who turned out in larger numbers to vote for the party in the two rounds of polling after his death.

Thus while the Congress suffered from a 15 per cent swing against the party in Uttar Pradesh in voting before Mr Gandhi's murder, this was reduced to 6 per cent three weeks later. In Madhya Pradesh a 4.8 per cent swing to the Congress in May was increased to a 10.5 per cent swing in June.

By contrast the BJP, which was the only party to make substantial gains in the election, did less well in winning seats than it did in strengthening its share of the national vote. None the less the BJP emerges as the main party of northern India with over half the parliamentary seats in Uttar Pradesh.

As the result of the differing trends between the regions, Congress has emerged as by far the largest party in the south and west of India: the BJP emerged strongly in the north and in the western state of Gujarat where it obtained 51 per cent of the vote: and Janata Dal is virtually confined to Uttar Pradesh and Bihar.



Election scoreboard outside a New Delhi newspaper yesterday

Businesses starved of foreign exchange

Gita Piramal finds political uncertainty has added to Indian companies' woes

TWO MONTHS ago, every Indian businessman, politician and civil servant knew about the country's balance of payments crisis. None foresaw that it would become so acute that the government would stop companies from issuing letters of credit for their imports of raw materials.

Some sectors, particularly the diamond industry, find themselves in a Catch-22. Rough diamonds cannot be imported because the government will not release the foreign exchange to do so and without this the exports of polished diamonds are plummeting.

"Last year India's diamond exports crossed Rs48bn (£1.4bn). This year this figure will drop by a minimum of 30 per cent," forecasts Mr Jatin Mehta, chairman of Su-Raj Diamonds India, a leading diamond exporter.

Political uncertainty has compounded the problem. "Many companies have adopted a wait and watch attitude, expecting that as soon as a new government is sworn in there will be major changes," says Mr Hemendra Kothari, president of the Bombay Stock Exchange.

The hope of a more liberal regulatory environment has led to several companies deferring their expansion programmes. The cautious approach is similarly evident in the sudden drop in public offerings over the last few weeks.

Normally, almost Rs70bn would be raised during April and May on the Indian capital markets. This year the figure has dropped to Rs4.8bn.

Reliance Industries, a member of the cash-strapped Ambani group, is one of the rare companies planning a big issue. The controller of capital issues is currently considering Reliance's application to raise Rs9.2bn from exchanges which are becoming increasingly bearish.

For once, government-owned public sector companies are equally affected by uncertainties which traditionally dog the private sector.

At the domestic level, an ambitious move to divest 20 per cent of the equity of a few select public sector companies has been put on the back-burner. This will inevitably delay crucial expansion plans.

The Indian Petrochemicals Corporation, for example, is counting on public-sector financing for a Rs2.8bn petrochemical complex. On an international level, the downgrading of India's creditworthiness by agencies such as Moody's and Standard & Poor's will similarly affect the ability of these companies to raise the foreign funds they will require shortly.

According to Mr Pradip Shah, head of Crisil, India's sole credit rating agency, the situation is not as bad as it sounds. "The key issue is the price [of loans]. India can forget about the earlier 20-50 basis points above Libor. Those days have gone," he says. When there is no lender at any price, these words are definitely optimistic.

Not all the news is bad as some companies have announced bumper results. One recent study of the results of 175 companies in the private sector for the year ended in March shows that sales rose 19.2 per cent, gross profits by 21.2 per cent and net profits by 10.8 per cent.

However, most companies are beginning to introduce production cuts, and few analysts expect six monthly results due in September to be anywhere near as good. Delayed projects, deferred budgets, overstretched and outdated policies: all these ensure that the lights appear forever amber in the Indian corporate sector.

For the last two years three shaky governments have put policy decisions on hold, afraid that if they initiated a big economic reform programme, their authority would be immediately challenged. As India awaits the formation of its next administration, the only certainty is that whichever party comes to power, unpleasant decisions will have to be taken.

"There is no point in being too optimistic," says Mr Mehta, voicing a common concern.

Mahathir offers new policy initiative

By Lim Siong Hoon in Kuala Lumpur

DR Mahathir Mohamad yesterday sought the Malaysian parliament's approval for a national policy initiative that would cap 10 years of his tenure as prime minister and set the agenda for the next 10.

The Second Outline Perspective Plan (OPP2) seeks no budget or endorsement of any laws. Instead, it aims to reaffirm what have been stated intentions so far, as well as translate them into economic and social targets for the coming decade.

Agriculture is projected to fall from 18.7 per cent of GDP last year to 13.4 per cent in the year 2000; manufacturing to rise 10 percentage points to 37.2 per cent; poverty to be reduced from 17.1 per cent of the population to 7.2 per cent, and real income per person lifted by 57 per cent to M$6,800 (£1,465) a year.

But national attention yesterday focused less on the plan than on the policy outlining the principles to govern the country's ethnic relations and implementation of the New Development Policy (NDP) which will direct the country's economic course in the way the New Economic Policy has in the past 20 years.

Much of the policy is simply the resolution of conflicting ethnic politics, reached in private within the ruling National Front coalition, especially between its Chinese and Malay components. The two communities make up, respectively, a third and half of the 17m population.

But Dr Mahathir proclaimed the occasion an historic event, saying the new policy would end ethnic quotas which dictated national life between 1971 and 1990. The Chinese have chafed at the way the NEP was implemented, and have questioned official statistics by which levels of equity ownership in local companies were measured annually against the NEP target.

Over 20 years, the proportion of corporate ownership by Malays and natives rose from 2.4 to 20.3 per cent, still well short of the 30 per cent target. The share of other Malaysians exceeded the 40 per cent goal to reach 46.2 per cent, while the foreign share dropped from 63.3 to 25.1 per cent. Nominee companies held 8.4 per cent.

This national obsession with quotas is intended to dwindle under the new policy. Indiscriminate distribution of wealth which is immediately frittered away not only defeated the (NEP) objectives, but did lasting damage by creating a dependent society which cannot be managed without continuous government support, Dr Mahathir said. Yet he claimed the NEP was "one of the greatest policies", and he would keep its "basic strategies".

This contradiction reflects the still unequal position of the *bumiputra* (Malays and natives), balanced against the government's desire to privatise and promote private investment. Privatisation has spawned some of the country's largest Malay-owned conglomerates. "Ten years ago you could not find a *bumiputra* company to do business; today there is no problem," says an executive for GEC Alsthom, the European power engineering group.

Pakistan hopeful on phone deal

By Farhan Bokhari in Islamabad

THE PAKISTANI government was optimistic yesterday about international interest in the planned privatisation of the country's telephone utility, after at least 50 representatives of banks, telecommunication companies and foreign missions attended its first information meeting on the sale in Islamabad yesterday.

Applications to buy control of Pakistan Telecommunications Corporation (PTC) are due next month. Companies represented included Cable and Wireless, AT&T, Italtel, Ericsson, and Telecom Australia.

Mr A.G.Kazi, chairman of the government's telephone privatisation committee, said that details of the corporation's financial position would be given to interested investors on June 30. PTC earned a gross profit of PRs9.51bn (£250m) in 1990-91.

Mr Kazi said the government wanted to sell at least 51 per cent of the company to the private sector, while a portion of the remainder would be offered to employees. The new owner of PTC would be given a monopoly for a period of some years, agreed in consultation with the government. There would also be the benefit of a recently introduced three-year tax holiday.

Under terms advertised earlier, potential investors are required to submit applications by July 15. The company at present serves almost 1m clients, but there is a potential for fast expansion since another 1m are waiting for phone connections, officials say.

Pakistan's population totals 110m: only 1 per cent of Pakistanis have access to a phone, compared with an estimated average for Asia of 3.27 per cent and a global average of 9.35 per cent.

South Africa votes to topple last pillar of apartheid

By Philip Gawith in Johannesburg

HISTORY would record 1991 as the year in which South Africa finally rid itself of apartheid, President F.W. de Klerk said yesterday, when making his final key speech to the current session of the white-dominated parliament.

Mr de Klerk spoke shortly after parliament voted to repeal the Population Registration Act, the last remaining statutory pillar of racial segregation. He told a special joint sitting at the end of one of the momentous South African parliamentary sessions that the halting of race classification under the Act ended an era when the lives of all South Africans were affected in the minutest detail by racial laws.

"Everybody is free from the disparagement and denial which so often were the consequences of the legislation we are repealing. Everybody is liberated from the moral dilemmas caused by this legislation which was born and nurtured under different circumstances in a departed era." All that remained now was for a new constitution to be drawn up. He was confident this process could begin before the end of the year, with the setting up of a multi-party conference.

The Conservative Party and other right-wing groupings were urged to involve themselves in the negotiation process. They could only protect what was dear to them if the humanity and basic rights of all South Africans were fully recognised. "You cannot build a safe and secure future on a denial of the rights of the permanent and irremovable majority of the population."

He pledged that community rights, community-oriented education and the protection of minorities would all be built into a new dispensation. The government had not embarked on its reform initiative to achieve foreign approbation, but "one may expect further international developments to follow if anything like morality exists in international politics" – a reference to the hoped-for removal of sanctions.

The African National Congress "should cease presenting itself as a semi-military movement" and concentrate on those matters and activities "which befit a political party," Mr de Klerk added.

Reuter reports from Washington: The US State Department said that before any lifting of sanctions, it wished to ensure that all political prisoners had been released.

Help sought for 13 sentenced to death for alleged collaboration

Jordan pleads for Palestinians in Kuwait

By Victor Mallet in Kuwait City

JORDAN has called for international action to save Palestinians with Jordanian citizenship who have been sentenced to death in Kuwait for allegedly collaborating with Iraq during the recent occupation.

Mr Mutassem Bilbeisi, secretary general at the Jordanian Foreign Ministry, said letters appealing for help had been sent to the US, Britain, France, the UN, the Arab League and international humanitarian organisations.

At least four of the 13 people sentenced to death by Kuwait's martial law court are Jordanians. The punishments meted out in court have been widely criticised outside Kuwait as being unduly severe. However, Kuwaitis are bitter about the small number of Palestinians residing in Kuwait who did side with the Iraqis, and about Palestinian support for President Saddam Hussein throughout the Arab world.

Many Kuwaitis believe that Sheikh Jaber al-Sabah, the Emir, will eventually revoke the death sentences. Six people, including a Kuwaiti woman, were sentenced to death on Saturday for working for al-Nidaa, an Iraqi propaganda newspaper, during the seven-month occupation of Kuwait. The paper carried numerous articles denigrating the al-Sabah family, who have ruled Kuwait since 1756.

"We feel very bitter and dismayed about what is happening in Kuwait," Mr Bilbeissi told Reuter in Amman. "We cannot believe what is happening there." The Jordanian letters call for intervention to save Jordanian nationals and for fair trials.

The Moslem leader of Jerusalem, Sheikh Saad el-Din Alami, was also reported as appealed for commuting the sentences of the 12. He told local newspapers he had addressed appeals to Mr Javier Pérez de Cuéllar, the United Nations secretary general, and Ismat Abdel Meguid, the Arab League's secretary, to intervene with Kuwait.

Western ambassadors in Kuwait and human rights organisations have urged the Kuwaiti government to stop the persecution of Palestinians. Sheikh Saad al-Sabah, the Crown Prince, has admitted that there have been abuses.

The 150,000 Palestinians remaining in Kuwait have a number of grievances – many civil servants have been sacked – but they report better treatment by the security forces in recent weeks.

Israel peace group fears settlement drive

ISRAEL plans to increase tenfold the Jewish population of the occupied Gaza Strip and of several West Bank settlements with a new building boom, according to an Israeli peace group, Renter reports from Jerusalem.

Documents from the Housing Ministry obtained by the non-partisan Peace Now movement suggest that Israel has earmarked lands in the occupied West Bank for five new Jewish settlements and plans to expand existing ones there and in the Gaza Strip.

Documents sent to Reuters stated that 16,100 housing units were to be built in the West Bank's Hebron area. This would increase the Jewish population there to about 80,000 from the current 8,000, according to Peace Now.

Another 13,550 housing units would be built in Gaza, currently home to about 4,000 Jews. The new units would boost the number of Jews there to at least 50,000, Peace Now said.

"Ten times more people will be in the Gaza Strip and in the Hebron area. It's not clear how long it will take. The plans are on the board to start construction immediately," said Mr Eran Hayet, Peace Now spokesman.

"The idea is based mainly on expanding existing settlements, but the documents indicate sites have been chosen for new ones too," Mr Hayet said, naming the five planned West Bank enclaves.

Currently, some 100,000 Jews live in fortified enclaves among 1.75m Palestinians in revolt in the occupied territories. About 750,000 of the Arabs live in the impoverished, overcrowded Gaza Strip bordering Egypt.

Israel's ruling Likud party meanwhile plans to renounce an old claim to land on both sides of the Jordan River, saying it wants to show Amman it is serious about peace, a Likud spokesman said.

"We don't want a conflict with Jordan, we want a peace agreement. We don't want to threaten King Hussein. We want to advance peace," Mr Gil Samsonov said.

"Likud has no aspirations beyond the Jordan River," he said.

Canberra may block mine plan

By Kevin Brown in Sydney

AUSTRALIA'S Coronation Hill mining project looks likely to be blocked by the federal cabinet today, after Mr Bob Hawke, prime minister, gave strong public support to Aboriginal opponents of mining.

Mr Hawke's comments indicated he will make the cabinet debate on Coronation Hill a test of his leadership, following his defeat of a challenge by Mr Paul Keating, the former federal treasurer, earlier this month

Most cabinet ministers are believed to favour development of the project – a gold, platinum and palladium mountain adjacent to Kakadu National Park in the Northern Territory. But many would feel obliged to snpport Mr Hawke if he chooses to treat the issue as a vote of confidence.

Supporters of the project say a ban on mining would signal that the influence of Labor's left has increased following its support for Mr Hawke in the leadership battle. A ban would also be seen as a defeat for Mr John Kerin, former primary industries minister, who replaced Mr Keating as treasurer. Mr Kerin has made his support for the project clear, and warned it was seen as a "totem" by the business community.

A consortium of Australian, US and Malaysian mining companies has been trying for several years to win permission to develop Coronation Hill, which was mined for uranium in the 1950s.

A government inquiry said there were no environmental grounds for blocking development, but concluded some of the 650-strong Jaowyn Aborigine tribe believed mining would trigger cataclysmic action by a spirit resident in the hill. Other Jaowyn have claimed the site has no religious significance, and have campaigned for mining to be allowed.

Mr Hawke compared the Jaowyn beliefs to the mysteries of Christianity, Australia's majority religion, and said it was "an enormous presumption" for some to say the Jaowyn were not rational.

His comments increase the likelihood of a permanent ban on mining at Coronation Hill, followed by the incorporation of the area into Kakadu National Park.

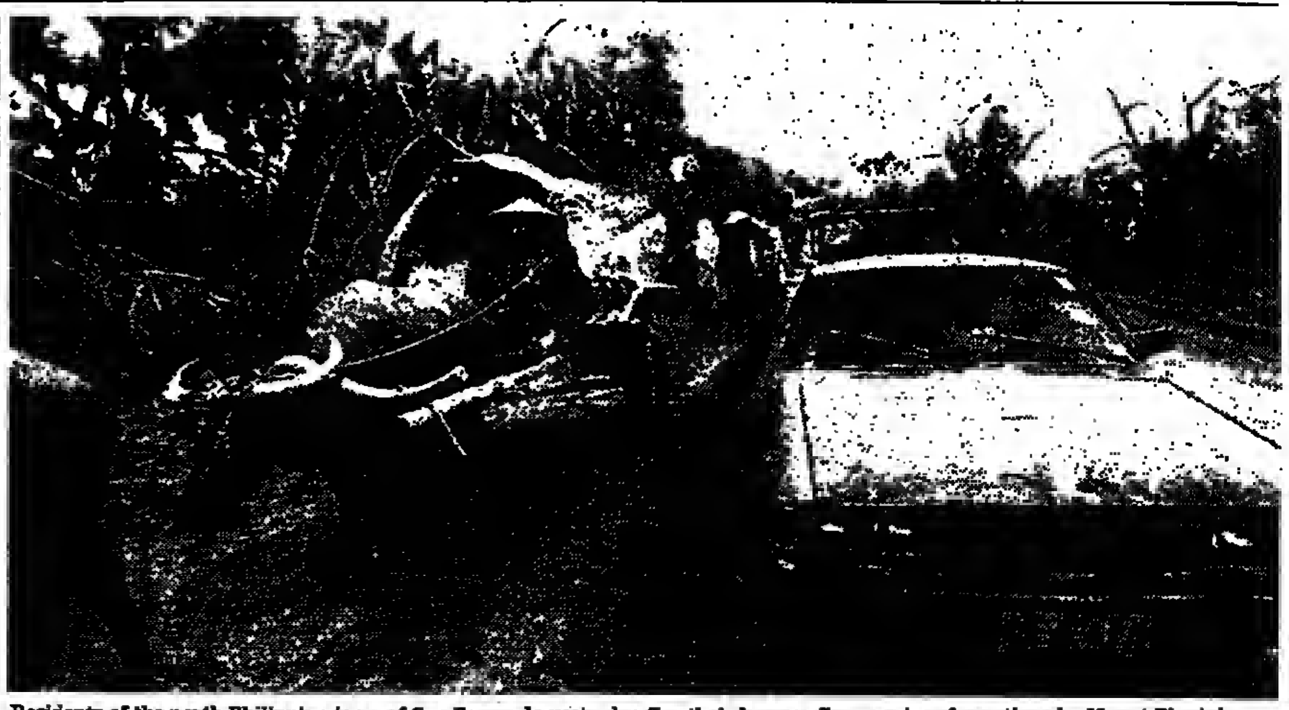
But supporters of mining argued that it should be approved subject to agreement with the Jaowyn. A third option put forward by Mr Bob Collins, a Northern Territory MP, would delay a decision until the conclusion of a pending land claim by the Jaowyn under legislation giving Aborigines some rights over land with which their tribes were associated before European settlement.

US-China arms talks 'difficult'

US officials indicated yesterday that current talks with China on arms control were difficult and said they would be extended, agencies report.

Mr Reginald Bartholomew, the under-secretary of state who arrived in Beijing on Sunday, will hold an additional session today with Liu Huaqiu, China's vice-foreign minister.

Meanwhile a Bangladeshi official said Mrs Khaleda Zia, prime minister, would ask China for modern arms when she visits Beijing today.



Residents of the north Philippine town of San Fernando yesterday flee their homes after a series of eruptions by Mount Pinatubo

Philippines to seek loans for volcano damage

THE Philippines is expected to seek fresh loans from non-commercial lenders to finance reconstruction and rehabilitation of areas affected by the erupting Mount Pinatubo, Greg Hutchinson reports from Manila.

Mr Romeo Bernardo, finance under-secretary, said a final decision depends on the extent of the damage, which may take some time to assess. To speed the process, the Asian Development Bank (ADB) is likely to provide a technical assistance grant soon.

The volcano has killed at least 63 people by official estimates and more than 200 according to other reports, since erupted nine days ago, after being dormant for six centuries.

The weight of accumulated ash has made hundreds of buildings collapse. Mud flows have swept away whole villages, and made many roads impassable.

The government is likely to seek an amount rather more modest than the $562.3m (£342.8m) committed by the country's bilateral and multilateral creditors for rehabilitation and reconstruction following last July's earthquake.

The quake caused immense damage to public and private infrastructure. Like the volcano, its epicentre was in central Luzon, which has had difficulty, it appears, spending the money its officials so eagerly sought.

A finance department report yesterday showed that only 60 per cent of the earthquake funds had been disbursed as at May 2 this year. The slow pace of disbursement has perturbed lenders.

AMERICAN NEWS

Congress may curb inward investment

By Peter Riddell, US Editor, in Washington

FOREIGN investors face two dozen bills in Congress which threaten to restrict their freedom to operate or expand in the US, though a proposed ban on political activities by their American subsidiaries has been rejected.

Both the number of proposed measures and the seniority of their congressional sponsors shows the increased domestic concern about foreign takeovers, particularly of high technology groups by the Japanese.

Several of the measures are aimed at tightening the Exon/Florio law which monitors such acquisitions on national security grounds. Leading Democrats have argued that the present procedures have failed to block foreign takeovers of key technologies.

Their latest bill would broaden the criteria used in assessment to include the impact of the deal on "the industrial and technology base of the US," would authorise the attachment of conditions to approval, and would shift chairmanship of the inter-agency group on foreign investments from the pro-open investment Treasury to the Commerce Department.

The bill, proposed by Congresswoman Cardiss Collins, chairman of the House sub-committee on commerce, consumer protection and competitiveness, with the backing of Congressman Richard Gephardt, the House majority leader, is strongly opposed by the Treasury, which has threatened a veto.

The Federal Election Commission has, however, voted by four to two against a staff recommendation to ban US corporations with more than 50 per cent foreign ownership from running Political Action Committees which are involved in politics and make donations.

The change, already rejected in Congress, would have placed large foreign-owned US groups at a disadvantage compared with their competitors.

The commission ruled that the current law was adequate to protect such committees from foreign control.

Gorbachev 'positive' about Start talks

By Peter Riddell

PRESIDENT George Bush said yesterday that he had received "a positive response" from Soviet President Mikhail Gorbachev to US proposals for reaching agreement on a treaty to reduce strategic nuclear weapons (Start).

Both the US and the Soviet Union are committed to reach an early agreement, before a summit meeting in Moscow this summer of the two presidents. The White House has refused to be pinned to a date until important problems on multiple warheads and on verification are resolved.

Mr Bush said yesterday he had received "a very important" letter from Mr Gorbachev at the weekend. "The tone was good, the determination to reach agreement was positive, and we're looking very closely at the details," Mr Bush added.

Mr James Baker, US secretary of state, and Mr Alexander Bessmertnykh, Soviet foreign minister, are to meet in Berlin this week to resolve these differences.

Mr Bush could not say when talks to open the way for the Moscow summit would be concluded. Dates at the end of June and July were open, he said, but White House officials have recently been hinting at a September meeting.

Antarctic protection agreement 'put at risk'

A US PROPOSAL to weaken a planned ban on mining in Antarctica could block an agreement to protect the continent, delegates to a meeting of Antarctic Treaty signatory nations said yesterday, AP reports from Madrid.

The meeting was intended to culminate with the signing of an environmental protocol on June 23, three decades after the treaty took effect. But several key delegates said an accord would be difficult. "I think everyone wants to reach agreement by the end of the week. I'm just not very optimistic," Mr Curtis Bohlen, US delegation chief, said.

In April, the 39 signatories agreed in Madrid to seek government approval for a draft protocol to the treaty that included an indefinite ban on non-scientific mineral exploration. But the US said last week it could not accept the mining provision. Its proposal would allow any of the treaty's 26 current voting members to opt out of the ban after 50 years.

Ecologists and delegates of nations favouring a permanent ban said the US position represented a step backwards for the protection of Antarctica.

"We're disappointed," said Mr John McCarthy, Australian delegation head. "This new element causes complications. We would see it as not being productive." Australia, France, Italy and several other voting members initially favoured a permanent ban on mining. It was unclear how many nations attending the meeting would side with the US.

Mr James Martin-Jones, World Wide Fund for Nature representative, said he thought the US proposal was "outrageous". He would urge signatories to postpone their decision until a scheduled October meeting in Bonn.

Mr Bohlen said the US had not changed its original position against a permanent mining ban but wanted to ensure it could be lifted some day if the "great majority" of voting members agreed. The Antarctic Treaty was signed in 1959 by 12 nations, seven of which maintain territorial claims. It banned military bases, weapon tests, and guaranteed freedom of scientific research.

Peru attracts HK investors

By Sally Bowen in Lima

A GROUP of Hong Kong businessmen has deposited $10m with a Lima bank as a guarantee of its interest in acquiring shares in the Peruvian state airline, Aeroperú.

The delegation, with representatives from nine Hong Kong companies, is also interested in establishing textile factories in Peru's free trade zones. Also, it wants to set up a commercial bank specialising in loans for cheap housing.

A deposit for an undisclosed sum has already been made for the acquisition of a Peruvian financial institution, which would have capital backing of $100mn, according to the delegation leader, Mr Sam Wong.

Tha Hong Kong gronp intends to pnt up the money for much-oeeded modernisation of Aeroperú.

"We ara making this investmant hecause we are convinced of the anormous resources and potential Peru offers," said Mr Wong after talks with President Alberto Fujimori.

The Hong Kong move came only days after the Peruvian government had started its privatisation programme. The sale last week, by public auction on the Lima Stock Exchange, of state-held shares in Sogewiese, a leasing company, was highly successful. Nearly 60 new shareholders acquired the state'a holdings for more than $1m.

Mr Alberto Sacio, Aeroperú chairman, has denied that the government will sell all the airline company. The World Bank is advising on valuation of its routes and, says Mr Sacio, various other airlines, including Ibéria and Lufthansa, are also interested in acquiring a share in the Peruvian carrier.

Taylor's crypt opened to test poison theory

THE remains of President Zachary Taylor were removed from a crypt yesterday to check on an author's theory that the 12th US president was poisoned, AP reports from Louisville.

The flag-draped coffin was taken from the Zachary Taylor National Cemetery to the Kentucky Medical Examiner's Office for tests.

Taylor's cause of death was listed as gastro-enteritis following his sudden illness and death almost 141 years ago.

Ms Clara Rising claims Taylor was killed for opposing the spread of slavery into the Southwest and did not die of natural causes.

If her theory were proved, history books would have to be rewritten to show that Taylor – and oot Abraham Lincoln – was the first US president to be assassinated.

Ms Rising persuaded Jefferson County (Kentucky) Coroner Richard Greathouse to open Taylor's crypt to test his remains.

Ms Rising believes the symptoms of Taylor's sudden death on July 9, 1850 were consistent with arsenic poisoning.

Salinas gets tough on human rights abuses

Damian Fraser on the Mexican president's promise to stamp out police excesses

"WE WILL not permit the abuse of authority," Mexico's President Salinas de Gortari said last week in one of his toughest speeches yet on Mexico's brutal police methods.

"We will fight impunity and incompetence all the way to assure respect for human rights," he said.

Such speeches by Mexican presidents are to be expected, but in the past have done little to alter Mexico's human rights record. As Americas Watch, the human rights organisation, pointed ont in a report last June, "torture is endemic" in Mexico, "practised by most if not all branches of the federal and state police."

Presideot Salinas has taken steps to change this. A year ago he set up a National Human Rights Commission (CNDH) to investigate human rights abuses.

In February the government overhauled Mexico's penal code; last month the president in effect fired his attorney general for not doing enough to protect human rights; early this month the successor announced a substantial reform of the Attorney's General Office (PGR), setting up an anti-corruption unit to make the police more accountable to the public.

The CNDH undoubtedly has had the most noticeable impact so far. Set np in the wake of the murder of the human rights activist Norma Corona, and the impending Americas Watch report, it has been surprisingly tough in its criticisms of the state governors and the Attorney General's office - given that it is legally part of Governacion (the interior ministry).

President Salinas de Gortari: attempting to grasp the human rights nettle

The commission made some 84 recommendations in its first year, 36 of which have been accepted by the relevant authorities. It has accused the PGR of being "the biggest (human rights) offender," saying it had frequently obstructed or undermined the CNDH recommendations.

It championed controversial cases, such as that of Mr Antonio Valencia Fontes, a lawyer who has been held in prison for cocaine trafficking, but whom according to the commission was physically incapable of committing the crimes he is charged with.

It has put mounting pressure on the prosecutors to find the murderers of Norma Corona and has pointed the finger at the PGR for murdering the three brothers of the Quijano family, supposedly in retaliation for the murder of two PGR agents by a fourth Quijano brother.

The CNDH has limited powers - all it can do is to recommend to governors or prosecutors to take action, and it reports to the president, and not, as some would like to Congress. Still, as Mr Carlos Fnentes the novelist (an adviser to the commission) says, "it has done things unthinkable a year ago; no-one else would have defended the lawyers of drug barons or those tortured by federal police." Now that the commission is established, says Mr Fuentes, the "corrupt elements of the police force now fear that they are being watched".

It is too early to tell what the effect of this will be, but there is no doubt that the CNDH, under fiercely independent leadership of Mr Jorge Carpizo, former rector of Mexico's national university, has gained wide respect, and mnch increased public awareness of human rights abuses.

The commission has also successfully pushed for the reform of Mexico's penal code. Crucially, interrogations of suspects can, in theory, now only be carried out by prosecutors, and not by police, as had been common. Confessions do not now have legal value unless carried out in front of a suspect's lawyer. The police should now have little incentive to torture snspects to extract confessions.

The president, by all accounts genuinely shocked by the murder of Norma Corona, a university professor, and president of tha Independent Committee for the Defence of Human Rights in Sinaloa, appeared determined to bring the perpetratora to justice. Similarly last week he hinted that any member of the government that does not co-operate fully with the CNDH will, like Mr Enrique Alvarez del Castillo, the former Attorney General, lose his job.

Most human rights activists, such as Ms Mariclare Acosta, of the Mexican Commission for tha Defence and Promotion of Human Rights, and Mr Fuentes, believe instead that human rights can only be permanently safeguarded if Mexico's judiciary and legislature are given sufficient independence and power to scrutinise properly the executive, and its functionaries.

The presant government, however, has shown no signs of wanting to sign away its own powers.

UK NEWS

PUBLIC SPENDING

Pre-election tax cuts under threat

By Philip Stephens, Political Editor

THE UK Treasury is expected to allow a significant increase in public spending limits for the financial year starting next April.

This follows additional spending bids from government departments amounting to more than £10bn.

These cast doubt on whether the government can meet its borrowing targets and may rule out the prospect of tax cuts in next year's budget.

They were expected to provide the launch pad for the Conservative party's general election campaign.

Negotiations on the bids, which will last until the autumn, will highlight the difficulties faced by Mr John Major in balancing a commitment to control spending and borrowing with pre-election pledges to improve public services.

Treasury controls are traditionally relaxed in the run up to an election, but the scope this year has been reduced by the prospect of an overshoot in borrowing and the need to underpin sterling's position in the Exchange Rate Mechanism.

A sharp rise in unemployment, expected to cost some £2bn in extra benefits both this year and next, has also shrunk the the Treasury's room for manoeuvre.

Along with other commitments - ranging from increases in child benefit and extra money for British Rail, the national rail network, to higher-than-expected pay awards in the health service and armed forces - the higher jobless total will effectively wipe out this year's £3.5bn contingency reserve. It will also pre-empt much of £7bn available for next year.

Spending ministers are citing pre-election pressures and Mr Major's plans for a Citizens Charter to guarantee the quality of services as a justification for their demands. But, formally at least, the Treasury insists that the sharp fall in inflation should allow departments to stick to existing budgets.

Falling inflation means that the pressures are not as great as in 1990 - when £8bn was added to the target for this year. Senior Whitehall officials acknowledge, however, that the figure of £221bn pencilled in for 1992/93 will have to be increased.

The largest bids come from social security, health and education. Together they are thought to approach £7bn. The department of environment has submitted two bids together totalling more than £2bn - the first to hold down next year's poll tax bills and the second for spending on housing, urban regeneration and the environment.

Mr William Waldegrave, the health secretary, needs between £1.5bn and £2bn to prevent a financial crisis in the NHS in the wake of the recent political furore over the health service reforms.

The cost of the decision to index child benefit will more than double next year, which along with higher unemployment benefit points to a bid from the social security department of more than £3bn.

Mr Kenneth Clarke, the health secretary, meanwhile has already committed the government to much higher teacher's pay and is seeking substantial additional resources for higher education.

The cost to the ministry of defence of Britain's contribution to the Gulf war will be largely covered by payments from other governments, hnt the Home Office and employment are among other departments which have put in substantial claims.

Lloyd's members offered solace by phone

By Richard Gourlay

Lloyd's of London welcomed its own Good Samaritan yesterday who will assist the growing number of Names, individuals who back underwriting on the insurance market with their personal wealth, facing financial distress.

With the help of one telephone and an answering machine in Lloyd's old Lime Street building in London's financial quarter, Mrs Valerie Robinson, a member of the Council of Lloyd's Hardship Committee, is offering solace on behalf of the Association of Lloyd's Members to individuals who have committed at least £250,000 but are bracing for heavy losses as Lloyd's faces its first loss since 1967.

These Names are beginning to receive calls for extra cash from the syndicates that make up Lloyd's and which next week are together expected to announce losses of at least £300m for 1988, their latest reporting year.

The new helpline passes the most serious cases of distress on to the Lloyd's hardship committee.

Mrs Robinson said that in the event of Names failing to meet a cash call, they would often be allowed to remain in their house, "until they die", with a modest income.

For many people this would involve a substantial adjustment of their lifestyles.

The problem was that a number of Names had re-mortgaged their houses as collateral for guarantees lodged with Lloyd's.

In some cases Lloyd's would try to release Names from these guarantees, Mrs Robinson said.

There were a number of calls from retired people who are worried that cash calls from loss-making syndicates will deplete the capital from which they derive their income.

Not only are they and other Names likely to receive a call for extra cash for 1988, but there may also be additional calls from earlier years and the next two as well.

There were calls from some of the thousands of Lloyd's Names who wanted to get out but cannot break the Gordian knot and leave because of the years in which their syndicates wrote insurance were still "open".

These are years where the underwriters can not assess future liabilities and therefore leave the accounts open.

Tax relief plan puts MPs into voting dilemma

By Alison Smith

MEMBERS of Lloyd's insurance market who are also MPs could find their votes challenged if they intervene in the House of Commons on any government plans to provide extended tax relief for Names.

Ministers insisted yesterday that no decision to enable Names to claim retrospective tax relief for three years instead of one had been taken.

The issue is certain to be raised in debate on the finance bill committee, however, as one Conservative MP has put down an amendment to give Lloyd's extended tax relief. It may also come to the Commons as a whole.

A scarcely-used procedure means that if any of the 60 or so MPs who are Names voted on such a proposal, there could be an immediate debate and decision as to whether their votes should stand.

House of Commons authorities confirmed yesterday that while there are no circumstances in which MPs are prohibited from voting, any other MP who thinks they have a direct interest in the matter can move that those votes be disallowed.

Though opposition spokesmen have said that they would be willing to support a move which put Lloyd's on an equal footing with other companies, some Labour backbenchers have already made it clear that they would oppose any proposal to "bail out" Lloyd's.

The finance bill already provides for small businesses to claim retrospective tax relief for three years, but at present Lloyd's Names are treated as individuals rather than companies for these purposes.

BRITAIN IN BRIEF

Tandy to set up plant in Scotland

Tandy Corporation of the US is to set up a £2.7m computer manufacture and repair plant in Scotland at East Kilbride, Strathclyde.

The plant will supply personal computers for the European market of Tandy's European subsidiary, Victor Technologies. Victor Technologies is a Swedish company, acquired by Tandy in 1989, which supplies computers and peripheral equipment in Europe.

Mr Ulf Ericsson, president of Victor Technologies, said the company's strategy was to design and make more of its products in Europe.

Water licences to be amended

Proposals to amend water company licences to ensure that diversification cannot harm the core businesses of providing water and sewerage services have been published by the Office of Water Services (Ofwat), the industry's economic regulator.

All of the 10 water and sewerage companies, and the 24 water-only companies in England and Wales, have engaged in some form of diversification since privatisation late in 1989.

The proposals require water company directors to certify each year that they have available sufficient resources for the proper running of the core business.

Mail service is 'best in Europe'

Britain's letter service is better than that of Germany, France, Holland, Italy or Spain, according to the Royal Mail. A performance league table of the six countries showed Britain with the cheapest first class service and an 86 per cent average score for the number of letters delivered the day after posting – 12 percentage points higher than the Netherlands, the second best performance.

Germany scored 68 per cent, followed by 65 per cent for France, 17 per cent for Italy and 15 per cent for Spain.

Patten issues Labour warning

A return to a Labour government would see Britain as "the sick man of Europe", Conservative party chairman Mr Chris Patten has warned.

Speaking in Walton, the suburb of the north-west city where the parties are fighting a parliamentary by-election, he said Liverpool – currently paralysed by industrial action – was "a grim example" of what Britain would be like under a Labour government.

He said a Labour election victory would leave Britain as "a country moving back towards socialism while everywhere else in Europe people are racing for the exit".

New car may be built in UK

Prototypes of a family car powered by hydrogen from tap water could be in production in Britain by the end of the year, according to the inventor's London-based representative.

The vehicle, which costs less than 1p-a-mile to run, was invented by computer and hydrogen expert Dr Roger Billings of Kansas, in the United States.

Mr Leonard Holihan, director of the Advanced Energy Research Institute, said: "Dr Billings believes Britain should have have first crack at this fuel cell technology and so is planning its launch here."

Bus workers vote to strike

A majority of the 1,000 workers at London Forest Travel, a London Buses subsidiary, have voted for strike action this week over a proposed 18 per cent pay cut.

The changes in working conditions on its north London routes were proposed by the bus company as part of its cost-cutting measures.

Under threat: staff at one of London's most exclusive clubs, the Naval and Military, contemplate the greatest danger to the club's future since it received a direct hit from German bombs in 1943. The building in Piccadilly has been bought by Kuwaiti businessmen who want to turn it into e luxury botel. The clob, founded in 1862, has 4,500 msmbers who intend to fight any eviction threat. The members claim thet the historic traditions of the huilding would be destroyed hy converting it to an hotel.

Forces likely to retain hanging

A move to abolish the death penalty for men and women in the UK armed forces has been opposed by the government.

Mr Archie Hamilton, armed forces minister, told the House of Commons that the death penalty for British service personnel, which is not mandatory, was necessary as a deterrent against treachery in wartime.

Under military law, offenders may by hanged for certain crimes during a time of conflict.

The capital offences: assisting the enemy, obstructing operations or giving false signals, mutiny, and failure to suppress a mutiny.

Former ICI chairman dies

Sir Rowland Wright, former chairman of Imperial Chemical Industries (1975-78) and of Blue Circle Industries (1978-83), has died at the age of 75.

His three years as chairman of ICI, one of Britain's largest industrial concerns, were the culmination of a 41-year career with the group, which he had joined in 1937.

Sir Rowland's greatest contributions to ICI were in personnel management and government relations.

He set up new a new consultation process between ICI workers and management, and maintained a good working relationship between the company and the Labour governments of the 1970s.

Société Générale, ABN-Amro, and Citibank gain on clearing banks

UK banks lose grip on corporate middle market

By David Lascelles, Banking Editor

THE BIG four UK clearing banks' grip on the middle corporate market is beginning to slip, but companies on the whole believe that the quality of service they receive from them has improved in recent years.

These findings come in a new survey of the smaller business market by Shearson Lehman Brothers. They appear to contradict many of the charges which were made during the recent row over the alleged cartel-like behaviour of banks – particularly their failure to pass on the benefits of base rate cuts.

The survey suggested that the big clearers had about 60 per cent of the market, which is well below the figure of 80 per cent which is much quoted, according to Mr Chris Wheeler, who analyses clearing banks for the securities firm.

They have been losing market share to other UK banks, who now have 19 per cent of the market, and foreign banks with 21 per cent. The names of Société Générale, (France), ABN-Amro (Netherlands) and Citibank (US) were among those most frequently mentioned.

The survey was conducted in April before the recent row about the clearers blew up. It found that medium sized companies in general believed that the service they received from banks was getting better.

In particular companies looked for quality and efficiency in their service from the banks. The pricing of credit was ranked some way behind these two factors in third place.

Only 24 per cent of the respondents thought that the overall level of service had deteriorated over the last five years. The bank which came out of the survey best was Barclays, though on the narrower evaluation of pricing and availability of credit TSB did best. The banks which came out worst were Midland and Standard Chartered.

The survey was based on a representative sample of 100 medium sized companies in England, Scotland and Wales. Shearson hopes to make the survey an annual feature.

Report available from Shearson Lehman Brothers, One Broadgate, London EC2M 7HA

DESPITE gloomy reports of decline during the 1980s, London's economy actually grew stronger over the past decade, a new study claimed yesterday, writes Andrew Jack.

The number of jobs in the city has risen since 1982, it says. Unreliable forecasts and the selective use of statistics have given a negative and false impression of the UK's capital, according to the Institute for Metropolitan Studies.

"Much of the gloom, doom and decay about London is not borne out by the report," said Sir Alan Greengross, chairman of the Institute and the last Conservative opposition leader of the Greater London Council (GLC) before it was abolished in 1984 by central government.

The report, "London in Prospect," stresses that total employment grew during the 1980s, that the number of commuters in 1990, like those pictured above crossing London bridge, matched its 1973 volume of 1.14 million, and that relocation by businesses was high but generally over short distances.

"Confidence in the capital as a business centre could be undermined both [in the UK] and in Europe unless the overall perception is corrected," the report says.

Pantomime fails to stop the curtain rising on Ulster talks

By Ralph Atkins in Belfast

THE SILVER chauffeur-driven limousine of the Rev Ian Paisley, the bulky Democratic Unionist leader, was away less than a hour, speeding through Belfast in search of intelligence from Australia.

His mission was a matter of great principle, of symbolic importance, of such urgency that it could not be communicated by fax or telephone.

Historic talks on Northern Ireland's future - the first for 16 years - had to wait the end of the pantomime. Something approaching normal politics finally returned to Northern Ireland at 12.52pm yesterday.

Unionist approval, based on world-wide research, allowed Mr Peter Brooke, Northern Ireland secretary, to formally appoint Sir Ninian Stephen, former Australian governor general, as independent chairman for a later stage of the talks process when the Irish government will enter negotiations.

Within minutes, nationalists and unionists were sitting together at a leather-rimmed, mahogany table for the first time since the constitutional convention of Mr Merlyn Rees, a former Northern Ireland secretary, in 1975.

Seven weeks of tortuous procedural wrangling had ended with Mr Paisley's eleventh-hour delay to demonstrate he would not be cowed by the Dublin government and its role in selecting the chairman.

At Mr Paisley's suggestion, the 15 participants - three from each of the four main constitutional parties plus a three-man Northern Ireland Office team - stood for a minute in memory of the victims of terrorism.

It might also have concentrated the minds of local politicians after nearly two decades of direct rule from Westminster.

To ease sore voices there were bottles of Antrim Hills sparkling water: as reassuringly part of Ulster as Mr Paisley himself. Mr Paisley remained the most voluble. "I hope that good reason shall prevail, and that people shall face up to stark realities," he boomed.

Was it a historic day? "Let us not say anything until we have an outcome." Mr John Hume, leader of the nationalist Social Democratic and Labour Party, was taciturn but apparently good natured.

"No surrender," he shouted at journalists as he left, mocking the Unionists rallying call.

The day when Irish government limousines drive up the mile long approach to Stormont's parliament buildings with its colonial pretensions and statue of Edward Carson, founding father of Ulster Unionism, is still a long way off.

But locally-elected representatives had discussed, sensibly, issues of mutual concern. They had listened to each other, maybe they had even learned. It was somehow fragile and unreal.

Labour defends policy for minimum wage

By Michael Smith

MR JOHN SMITH, the opposition Labour party's chief finance spokesman, yesterday said the introduction of a national minimum wage would be an early priority for a future Labour government, despite union disagreements over the plan.

In a robust defence of the policy, he said it was essential to protect many millions of people exploited by low pay. There was nothing to indicate that a minimum wage would lead to e rise in unemployment.

The minimum wage proposal has become increasingly controversial in recent weeks because of opposition by the government, on one hand, and some unions, on the other.

Conservative ministers believe it could become an electoral liability for Labour because of its potential effect on jobs and on the party's relationship with the unions.

Mr Smith made his comments after speaking at the biennial conference in Blackpool of the EETPU electricians' union, whose leaders earlier this week expressed their opposition to the minimum wage the day before.

Along with some leaders of tha AEU engineering union, the EETPU believes it would erode pay differentials between skilled and other workers. The union fears it could also lead to a voluntary incomes policy packed between unions and the government.

Mr Smith said his party had made it clear that "we don't believe in the introduction of an old-style incomes policy." Although there was some disagreement among unions over the minimum pay plan, the vast majority were in favour.

"I do not expect everyone to agree with it, but a minimum wage is part of our policy. We have made up our minds, and that is what we will do."

Mr Smith said eleven of the 12 European Community nations had a minimum wage either through statutory powers or through pay bargaining systems. "They seem to have better social circumstances and better functioning economies than we have in this country."

In spite of reiterating Labour's intentions for a minimum wage, Mr Smith was given a standing ovation after his speech.

● The EETPU electricians' union's biennial conference overwhelmingly defeated moves by some delegates to force cancellation of merger talks next month with the AEU engineering union.

Mr Eric Hammond, union general secretary, said the two unions together would have a greater role, would be a powerful influence, and could attract many other skilled and qualified workers.

Bundespost and STC review stakes in Unitel

By Hugo Dixon

BUNDESPOST Telekom, the German telephone network, and STC, the UK telecommunications manufacturer, are reviewing their shareholdings in Unitel, the mobile communications operator.

Unitel is one of three personal communications networks licensed by the UK government at the beginning of last year. It is expected to compete with BT's six networks and with the cellular services operated by Vodafone and Cellnet.

STC is reviewing its 30 per cent stake following its acquisition last year by Canada's Northern Telecom. Northern Telecom considers it is inappropriate to compete against BT, which is also one of its largest customers.

The Bundespost, which has a 15 per cent stake in STC, will be directing its resources to upgrading the existing telephone network in east Germany.

The review by STC and the Bundespost follows the decision by Pacific Telesis, of the US, and Matra, of France, to sell their stakes in Microtel, another personal communications network, to British Aerospace.

The moves reflect a realisation by many investors that personal communications networks will not be the financial bonanza they had once been expected to be.

However, US West, a North American telecommunications group which has 30 per cent of Unitel, remains bullish about the industry.

"The laboratory of personal communications is the UK and from that laboratory we are going to see all these ideas springing up across the world," said Mr John de Fee, chief executive of US West's international mobile communications operations.

Mr Jan Loeber, Unitel's chief executive, said it was likely that the Bundespost share stake would be distributed among the other three shareholders so that US West, Thorn EMI and STC would each have 33 per cent.

CONTRACTS & TENDERS

FT LAW REPORTS

Liquidation information should not be disclosed

RE BARLOW CLOWES GILT MANAGERS LTD
Chancery Division (Companies Court): Mr Justice Millett: June 6 1991

LIQUIDATORS who obtain confidential information on the assurance that it will only be used for the purposes of a compulsory winding-up, should use it for those purposes only and should not voluntarily disclose it to others for the purpose of criminal proceedings.

Mr Justice Millett so held when giving directions to Mr Michael Jordan and Mr Nigel Hamilton, joint liquidators of Barlow Clowes Gilt Managers Ltd, as to whether they should voluntarily disclose interview transcripts to four defendants to criminal proceedings, Mr Peter Clowes, Mr Guy Cramer and others. The respondents to the summons for directions were the defendants and potential witnesses in the criminal proceedings. The Serious Fraud Office intervened.

HIS LORDSHIP said that Barlow Clowes Gilt Managers was a deposit-taking company which attracted investment from members of the public. It was ordered to be compulsorily wound up by the High Court on July 6 1988. Liquidators were appointed.

Barlow Clowes International Ltd had been put into compulsory liquidation by the Gibraltar court. The affairs of the two companies were entangled.

The defendants had been charged with serious criminal offences in connection with the affairs of both companies. All four were charged with conspiracy fraudulently to induce persons to invest money, and with numerous counts of theft. Mr Clowes faced theft charges totalling £62m. The prosecution was conducted by the Serious Fraud Office. Mr Justice Phillips had been assigned to try the case and was holding preparatory hearings. The first trial was to start on July 2.

The liquidators instructed Mr David Graham QC, a partner in Coopers & Lybrand Deloitte, to interview persons who had been closely involved, mostly in a professional capacity, with the various Barlow Clowes companies.

The purpose was to enable the liquidators to ascertain the facts generally, with particular reference to establishing if civil claims could be brought on behalf of investors against the companies, or by either company against third parties.

The witnesses attended voluntarily. Interviews were transcribed and conducted in confidence. The information was obtained by means of assurances, express or implied, that it would be used solely for the proper purposes of the liquidation.

All 16 witnesses were later interviewed by Department of Trade and Industry inspectors. The prosecution intended to call eight of them as witnesses.

In March 1991 Mr Clowes's solicitors asked to be supplied with copies of transcripts of the interviews not already in their possession. The liquidators would not voluntarily release the transcripts.

On April 5 a witness summons calling for production of the transcripts was issued on the application of Mr Clowes's solicitors.

On April 9 counsel for the liquidators told Mr Justice Phillips he would be applying to set aside the witness summons. He said the interviews had been conducted on a confidential basis, and that the liquidators would claim public immunity if necessary.

He indicated that the liquidators would seek directions of the Companies Court, which might authorise the transcripts to be disclosed on a voluntary basis.

On the present summons for direction Mr Clowes and Mr Cramer, who spoke for the other two defendants, argued that the transcripts should be disclosed. The witnessea objected to disclosure. The SFO, as intervenor, supported disclosure. The liquidators remained neutral.

The evidence aworn on behalf of Mr Clowes was that his legal advisers believed material in the transcripts was likely to be relevant to preparation and conduct of his defence, and cross-examination of prosecution witnesses.

It was said that sight of the transcripts would enable the defendants to discover whether there was any inconsistency between evidence given by a witness to the liquidators and statements made by him to the DTI and the SFO. If so, it would be of obvious value in cross-examination.

There was no evidence that any of the transcripts actually contained any such material, and no particular reason to suspect it did. Mr Hacking, for Mr Clowes, told the court that until he saw the transcripts he could not say they would be of any use.

The defendants wished to embark upon a fishing expedition. What they hoped to catch was not primary evidence but material for cross-examination.

There were powerful reasons for not permitting voluntary disclosure.

The information was obtained in circumstances of confidentiality and by assurances that it would be used only for the purpose of the liquidation.

Those assurances were properly given by officers of the Companies Court in order to obtain information necessary to enable the court to carry out its functions.

The information was now sought for purposes collateral to the liquidation and foreign to tbose for whicb it was obtained. It ougbt to be unthinkable that tbe court should authorise its own officers to renege on their assurances in the absence of some compelling reason to do so.

Had the information been given by use of the court's compulsory powers, the general principle was that it could not be used for purposes other than those for which the powers were conferred. It made no difference that the information was obtained informally, not by compulsory powers, but under threat of those powers

The general principle was not unqualified. It was limited in nature and might be overridden by a countervailing public interest which favoured disclosure.

The defendants submitted there was a countervailing public interest in ensuring the proper administration of justice, particularly criminal justice.

They rightly submitted that where the liberty of the subject was involved the weight of public interest favouring disclosure was very great indeed. National security apart, it was said, nothing could override the overwhelming public interest in ensuring that an innocent man was not wrongly convicted.

It was a feature common to both civil and criminal systems that there was a strong public interest that the court sbould have all relevant information made available to it. But the courts had oever assumed or been granted power to compel production of all such information regardless of its nature and source. Tbat would amount to an intolerable invasion of privacy.

The prosecution must not withhold matters which might prove helpful to the defence; but a third party who was not involved, except possibly as a witness, was under no obligation to provide voluntary assistance to tbe prosecution or defence. The exteot of his obligation to disclose private documents was to produce "material evidence" in response to a witness summons under section 2 of the Criminal Justice Act 1965.

Neither law nor public policy imposed on the liquidators a general duty to assist tbe defendants.

Whether the transcripts constituted "material evidence" was a question for the Crown Court, not tbe Companies Court. The liquidators' task was to obtain information, not evidence. It would be an exceptional case in which they had any primary evidence in their possession.

There was an important public interest against disclosure.

Compulsory winding up of an insolvent company was carried out by tbe Companies Court tbrougb its officers. There was a major public interest in ensuring that they conducted tbe liquidation in an efficient and expeditious manner. Tbe court's statutory power to summon persons to give information about the company's affairs was an extraordinary power. it was potentially oppressive, and was exercised with caution. If there was a generally perceived risk that records of informal interviews might be disclosed to third parties, there was an obvious danger professional men would no longer co-operate voluntarily.

Tbe liquidators were directed to restore the application to Mr Justice Phillips, to claim public interest immunity if necessary, and not to disclose the transcripts unless ordered to do so by the Crown Court.

For the liquidators: John Lindsay QC and David Ashton (D J Freeman & Co)

For Mr Clowes: Anthony Hacking QC and Martin Steiger (Burton Copeland, Manchester)

For Mr Cramer: Kenneth Hamer and David Platt (Walker Morris, Leeds)

For the SFO: Mary Arden QC and Justin Gau (SFO)

For the witnesses: Michael Crystal QC and Mark Phillips (Freshfields); Jonathan Sumption QC and Mark Howard (Linklaters & Paines)

Rachel Davies
Barrister

PUBLIC NOTICES

MMC INVESTIGATION INTO TELEVISION BROADCASTING SERVICES

MONOPOLIES AND MERGERS COMMISSION

The Monopolies and Mergers Commission is investigating the publicising, in the course of providing a television broadcasting service, of goods (including publications) which the broadcasting organisations themselves or their associates supply.

Any person wishing to give information or views on the matter should write as soon as possible and preferably before 12 July 1991 to: The Reference Secretary (Television Broadcasting Servicea), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

COMPANY NOTICES

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The interest rate applicable to the above notes in respect of the period commencing 28th March, 1991 will be 7.375% per annum.

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Notice is hereby given to shareholders that interim dividends for the year ended 28th February, 1991 of US$0.1776 for the Dollar Fund, £0.0953 for the Sterling Fund, and US$0.4144 for the Yen Fund have been paid on 5th June, 1991 to shareholders registered on 28th February, 1991.
No interim dividend has been paid for the Deutschmark Fund.
No final dividend will be paid for any Fund, as recommended by the Board
18th June, 1991 MERCURY 90:10 TRUST SICAV.

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The interest amounting to US $35.58 per US $1.000 and US $355.83 per US $10.000 principal amount of the Notes will be paid on 18th December 1991 against presentation of Coupon No. 12.
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Principal Paying Agent.
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CLUBS

LEGAL NOTICES

KINCE DEVELOPMENTS LIMITED

Registered number: 1802322
Trading name: 7777 Country Club
Nature of business: Country Club
Trade classification: 8870 (Club)
Date of appointment of joint administrative receivers: 26 April 1991
Name of person appointing the administrative receivers: Usher Brewery Limited
JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART
Joint Administrative Receivers
(office holder nos 058 and 288) of Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

TECHNOLOGY

British companies have a great deal to learn from the Germans' approach to innovation, writes **Charles Leadbeater**

No chance of an even match

If you are sceptical about British companies' ability to compete with their German counterparts following sterling's entry into the European exchange rate mechanism, do not read a document published today about the two countries' approaches to innovation. It will depress you even more.

The dismal tale which emerges from a report* by the Centre for the Exploitation of Science and Technology will be familiar to those who have followed the work of the National Institnte of Economic and Social Research in charting the inadequacies of the British approach to education and training.

The report paints a picture of a German approach to innovation which is impressive in its scale and diversity. German companies are clearer than their British counterparts about which technologies will be central to their future competitiveness. While British companies tend to bring in more of their technology from other companies – through acquisitions, joint ventures or licensing agreements – German companies are committed to developing their own, proprietary technologies as a basis of their competitive strength.

Cest, a technology policy research group which is funded by a consortium of 19 large British companies, interviewed executives at 52 German businesses last autumn. The aim was to complement a similar report on British industrialists' attitodes towards innovation which was poblished early last year. Although the sample was not scientifically representative it was drawn from a range of manufacturing sectors, from small companies as well as large groups.

The Germans displayed few doubts about their competitiveness. Abont 44 per cent of German companies ranked themselves stronger than their worldwide competitors, compared with only 18 per cent of British groups. Almost two thirds of German manufacturers regard themselves as leaders in their field within Europe, compared with 39 per cent of British companies.

Is this mistaken arrogance or well-founded confidence? The report snggests the latter. Technological innovation is becoming an increasingly important factor in competition as product life-cycles shorten and products combine a wider range of technologies, such as new materials and micro-electronics. The German sense of strength is based on a clearer grasp of the technologies needed to compete and the way to get control of them, the report says.

German industrialists are far clearer than their British counterparts about which technologies will be central to their future competitiveness. John Cheese, a Cest researcher and the report's author, says: "German firms had little difficulty in naming the areas of technology that currently underpin their competitive position and on which they expect to build in the future. The ease with which the Germans handled this issue contrasts with the difficulties expressed by many of the British industrialists in trying to identify their technology bases."

Even in generic technologies such as information technology there were striking differences. Information technology is going to become increasingly important in German companies, largely because they hava technologically aware managers and well-trained workers confident of their ability to extract the most from it. In contrast, too many British systems have failed to meet their original objectives. Disenchantment has set in and investment has been cut back as a result, the report says.

German industrialists are also more aware of how technology generates revenue. Almost 90 per cent of German executives were able to quote the share of their company's turnover which came from new products. The report says British industrialists had

difficulty in qnoting a comparable figure, with nearly a quarter unable to respond to the question and a fifth reporting a guess of about 50 per cent.

Although large companies in both economies face similar competitive pressures, their corporate responses differ markedly. Large German companies believe that their own research and development effort is fundamental. About 73 per cent of German companies regard in-house R&D as their primary source of technology, compared with about 40 per cent in the UK. The next most important source of technology for British groups are joint ventures, the source which Germans regard as the least important.

This gap between independent and collaborative efforts will become increasingly pronounced, according to the report. About 40 per cent of German manufacturers expect to increase their R&D effort compared with just 4 per cent of British companies. In contrast, almost 25 per cent of British companies intend to acquire more technology through joint ventures, with abont 20 per cent increasing their use of mergers and acquisitions. Only a small proportion of German companies said they would increase their use of such sources.

These strategies could not be of greater contrast. The UK approach could be justified by the belief that it is increasingly difficult for a single company to command all the technologies it needs. So to be technologically competitive joint ventures will have to become a way of life.

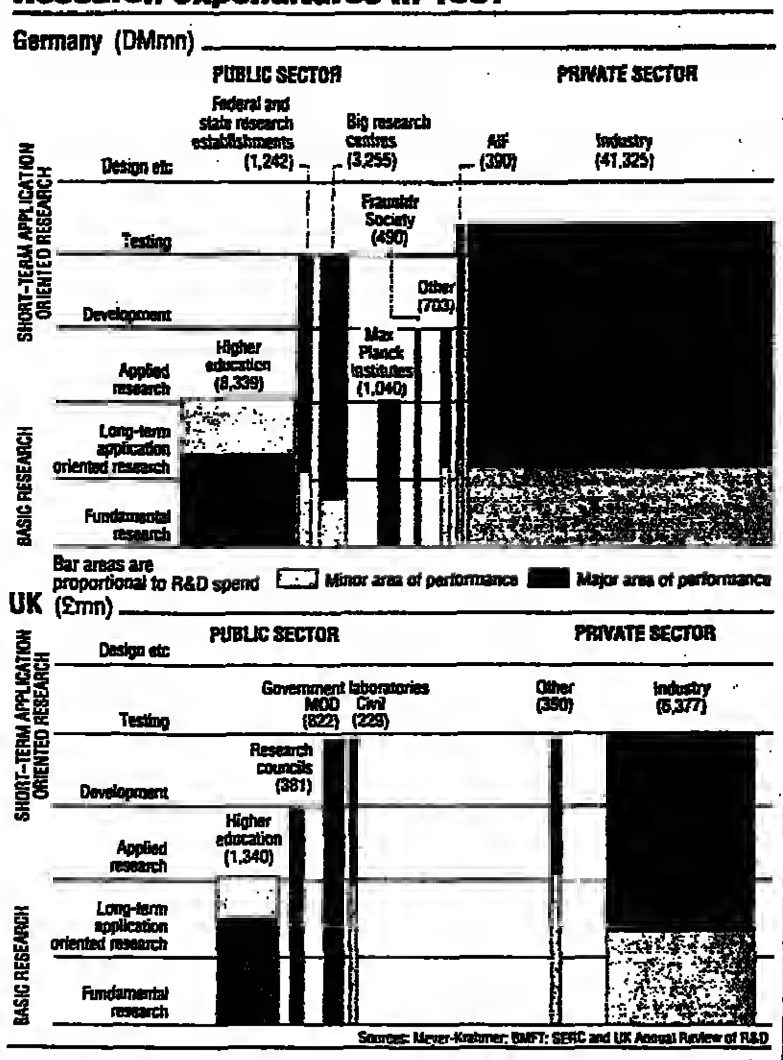
While noting this argument the Cest report coocludes: "The inherent danger is that many companies may be settling for competitive equality by sharing technology. If firms neglect the development of their core proprietary technologies they may no longer have a choice of strategy."

The contrast is just as stark among small companies. German ones can rely npon a network of institutions which are jointly funded by the public and private sectors such as the Fraunhofer Institute, the Max Planck Institutes and collahorative industrial research associations.

These institutes, which bridge the gap between the public and private sectors, have no equivalent in the UK. In the UK, there is a stark choice between publicly funded research within higher education and private sector research within companies. The German system has a decentralised regional and local dimension for delivering services to companies which is largely lacking in the UK.

The differences also show up in approaches to training and investment. The report says the problems of short-termism are endemic to British managers, and institutions, whether they are financial institutions or manufacturing companies. Short-termism pervades British economic culture. In contrast German companies did not even mention access to capital as a problem in innovation policies and prided themselves on being able to develop long-term strategies.

Research expenditures in 1987



Sources: Meyer-Krahmer; BMFT; SERC and UK Annual Review of R&D

About 41 per cent of German companies said skill shortages were a problem. Almost 90 per cent said their main response would be to make better use of staff through retraining.

British companies faced a tougher outlook: 88 per cent said skill shortages were a constraint. However, about 75 per cent of executives said they planned to solve it by increasing recruitment from a dwindling pool of graduates; only 26 per cent planned to retrain staff as the main solution.

The report's main recommendations are that stronger regional bodies be established to support innovation and that bridging institutions with one step in the public sector and one in the private sector be developed to close gaps in the British system.

However, the main conclusion is about the way economic institutions and culture promote innovation. The German system envelops companies in a web of supporting institutions which makes it easier for them to pursue independent innovation strategies. Woven through these institutions is the high value put on education and training.

As a result German companies do not have to reach too far for what they need to innovate. Like a chef cooking a meal a German company has at hand most of the ingredients it needs to innovate and at most has to pop next door for some help. In contrast, British companies have to reach a long way for what they need, whether it is technology, staff or finance. Their cooking has to be constantly interrupted by visits to the shops to get more ingredients.

It is overextending the analogy only slightly to say that judging by the findings of the Cest study the Germans will be able to continue cooking their own food for many years to come while the British will become increasingly dependent upon the technological equivalent of foreign takeaways.

**Attitudes to Innovation in Germany and Britain: A Comparison. Available from Cest, 5 Berbers Road, London N1 OPW. Price £25.*

Earlier articles in the series appeared on March 12, April 15 and May 3.

Europe's chips need an outside charge

By Michael Skapinker

Pasquale Pistorio had some exciting news for his fellow European semiconductor executives last week. SGS-Thomson, the company he heads, had produced samples of a highly advanced memory chip.

Developing the chip – a 16 megabit erasable programmable read only memory (Eprom) – is a considerable achievement for the Italian-French chip maker. It would be more impressive still if three Japanese companies had not already prodnced samples of the same chip.

In an international and highly competitive business, being the first European to bring a product to market is not enough. But then nobody needs to tell Pistorio what a cut-throat business chip-making is.

He loses few opportunities to point out that none of Europe's three big chip-makers is big enough to be viable. Europe, he says, needs a single, large semiconductor manufacturer.

The problem is that the other two – Siemens of Germany and Philips of the Netherlands – are not interested in a merger. None of the three chip makers is profitable. SGS-Thomson, which is owned by Thomson of France and IRI/Finmeccanica of Italy, lost $96m last year. Siemens and Philips doubt that the combination of three loss-making companies would create a profitable one.

Undaunted, Alain Gomez, chairman of Thomson, continues to argue for a "European solution" for the chip companies. Some advocates of the European solution think a limited US contribution might be acceptable, hnt that any involvement by Japanese companies is out of the question. The preferred European solution appears to be one involving only Europeans.

Gomez and Pistorio have a powerful ally in Edith Cresson, France's prime minister, who argues that it is essential that Europe retains its technological independence. The advance of Japan in particular – "an adversary who does not respect the rules of the game and whose overwhelming desire is to conquer the world" – must be furiously resisted.

This version of the European solution, a cocktail of chauvinist bombast and wishful thinking, is no solution.

The competitive climate which has driven European-owned chip-makers into loss is only going to get stormier. The cost of staying in the business is enormous; new chip factories require an investment of up to $1bn and more. Prices are plummeting. A 1 Mbit dynamic random access memory (D-Ram) chip sold for $8.20 last year, according to Dataquest, the high technology consultancy. By 1995, the 4 Mbit D-Ram is expected to sell for little more.

In the absence of world beaters, what does Europe need? It needs a strong technology base. It needs to ensure that those of its young people who want to become scientists rather than tour guides can find worthwhile work. It needs to ensure that the world's leading technology companies make their products and do their work in Europe.

Many are already doing so. IBM, Motorola, NEC, Intel, Fujitsu and Hitachi all have facilities in Europe or are building them. More are doing research in Europe too.

There are already extensive links between US, European and Japanese companies. If SGS-Thomson cannot find a European company with which to merge, it might have to look for an American one or, horror of horrors, a Japanese.

Europeans protest that this involves a loss of autonomy. They say that US and Japanese companies' most important research and manufacturing will always be done at home.

These arguments have some merit; but they are the luxury of the profitable. Having a foreign-owned industry is not ideal, but it is better than having no industry at all.

MANAGEMENT: The Growing Business

Charles Batchelor finds that the LBS's Firmstart graduates are seeking fresh challenges

The class of '88 starts looking for an exit

Lucien d'Sa: "We are building a product – the company – to sell"

Previous articles on reunions were published on May 9 1989 and May 8 1990.

When insolvency looms...

David Waller reports on lessons to be learned from IVAs

Bond is alert to the possibility of abuse from cowhoy directors and there would have to be a ceiling in terms of sales or assets to ensure that ouly genuinely small busineeses could benefit from this procedure.

In brief...

■ Collaborativa rather than adversarinl relationships between suppliers and thair customers can lead to sizeable cost reductions, a faster response to changing consumer requirements and greater certainty for suppliers.

Winning Together in UK Electronics* shows how buyers in one particular industry are selecting supplinrs who can meet their requirements for quality, delivery and performance. The booklet sets out the main tasks for company boards and makes suggestions on how to select partners. It lists the ingredients for making collaboration work in practice.

*From National Economic Development Council, Millbank Tower, Millbank, London SW1P 4QX. Tel 071-217 4037. 36 pages. £25 plus £1.20 inc, VAT end p+p.

■ The growing enthusiasm for quality management systems among their clients is forcing business support organisations to follow suit. A loose-leaf guidn to thn application of the BS5750 quality standard to support organisations has been produced by Business in the Community, the umbrella organisation of Britain's enterprise agencies.

The guide, sponsored by Shell, is intended for training and enterprise councils, local authority economic development units and other similar organisations as well es nnterprise agencies. It provides an interpretation of the quality standard covering business counselling and training, workspace management and financial packaging.

*Available from Paul Scott, Business in the Community, 227A City Road, London EC1V 1LX. £125 plua £5 p&p.

■ Quality managemant is starting to appeal to franchised businesses, one of which, Kall-Kwik, has embarked on e programme to help its franchisees attain BS5750. Kall-Kwik, a printing, copy nnd design group, tested out the standard nl its Middlesbrough store lo ensure that it would work in tandam with its axisting systems.

It intends that all new franchised outlets should apply for registration within six months of opening. Thirty new outlets nre planned for this year.

*Kall-Kwik House, 106 Pambroka Road, Ruislip, Middx HA4 8NW. Tal 0895 832700.

■ Retail businesses in Covent Garden are lo compile a register of rents to strengthen their hand when negotiating rent reviews end lease renewals.

The Covent Gnrden Community Association says it believes this is lhe first time joint action has been taken on such a register because tenants are usually secretive ebout the rents they pay; soma are fighting increases of up to 800 per cent.

Contact Giles Henschel, Covent Garden Community Association, Tel 071 836 3355.

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Preferred Location - beds, Bucks, Herts. Interested principals only, please write with details to:

Write Box H8772 Financial Times, One Southwark Bridge, London SE1 9HL

LEASING COMPANY

Investment company desires to buy a leasing company with assets between £2-20m.

Robin Worby
Moore Stephens,
Ross House, Windmill Hill,
Enfield EN2 6SW

CONTAINER BUSINESSES WANTED

Container rental companies in U.K. and Europe are sought by subsidiary of major international company.

Write with details to Box H8805, Financial Times, One Southwark Bridge, LONDON SE1 9HL

Fast expanding engineering components supplier seeks acquisition in the areas of:

- Plastic injection moulding
- Die castings
- Sheet metalwork/Precision presswork

Turnover range £2.0 million to £10.0 million

Contact: Mr W Goldie, Strategem Limited, Unit 1, Beta Centre, Stirling Innovation Park, Stirling FK9 4NF

COMPANY WANTED IT. TRAINING OR RECRUITMENT

Turnover <£750K
Berks/Bucks/Oxon/London
Acquisition or Buy-in

Write to Box H8702, Financial Times, One Southwark Bridge, London SE1 9HL

PRINTING/PACKAGING RELATED CO. WANTED

- GENERAL -

Well established, good turnover must have Die Cutter. Profitable or not. East Midlands/E. Anglia.

Write Box H8803 Financial Times, One Southwark Bridge, London SE1 9HL

INJECTION MOULDING RELATED CO. WANTED

Strong management & future growth plan. Variety of products/markets esp. consumer. Profitable or not. East Midlands/E. Anglia.

Write Box H8804, Financial Times, One Southwark Bridge, London SE1 9HL

AIRCRAFT FOR SALE

B737-300

- US$ 37.5 Million
- Offers Considered
- Superb Interior
- New Condition
- Suitable for Corporations and Governments
- Non Stop Range - 4,300nm Houston - London Tokyo - San Fransisco London - Bombay

Graham Chappell, Melbourne, Australia, Tel: 61 [3] 374 2111, Fax: 61 [3] 370 3789
Geoff Shepheard, Chesham, England, Tel: 44 [494] 791 000, Fax: 44 [494] 771 670

Purchaser

seeks established medium sized international trading company preferably with export connections into east and central Europe to link with substantial existing interests.

Write Box H8792, Financial Times, One Southwark Bridge, LONDON SE1 9HL

MANUFACTURERS OF KITCHEN UNITS

We seek to purchase from the liquidators machinery / production lines for the manufacture of Kitchen units and bedroom & office furniture. Please fax details to 010-3393-25.37.66

BUSINESSES FOR SALE

Jewellery Box Manufacturer

The Joint Administrative Receivers offer for sale as a going concern the assets and trade of Customline Limited, trading as Design Philip.

The Company is engaged in the manufacture and wholesaling of ornamental and presentational jewellery boxes. It occupies a 52,500 sq. ft. factory on an 8 1/2 acre site in Llanelli, South Wales with easy access to the M4.

- Annual turnover circa £4m.
- Major customers include catalogue and household names
- Large trading and raw materials stocks
- Considerable site development potential.

For further information contact the Joint Administrative Receivers, Barry Jones/Barry Mitchell, KPMG Peat Marwick, Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff, CF2 1TE. Telephone: (0222) 462463 Telefax: (0222) 481605

KPMG Corporate Recovery

Businesses for sale

KPMG Peat Marwick, offer for sale the following businesses:–

Linen Manufacturer

- Specialising in sheets, pillowcases and duvet covers.
- Turnover approximately £5.6m.
- 38,000 sq ft freehold factory.

Weaving Company

- Specialising in industrial fabrics.
- Turnover approximately £3.7m.
- 64,000 sq ft freehold factory.

For further information contact Mick McLoughlin, KPMG Peat Marwick, St. Nicholas House, 31 Park Row, Nottingham, NG1 6FQ. Telephone: 0602 483444 Telefax: 0602 483401

KPMG Peat Marwick Corporate Finance

Touche Ross

Flowers of York Limited

(In Administrative Receivership)

The goodwill and assets of the above company are offered for sale. The Company is engaged in warehousing, distribution, road haulage, vehicle rental and vehicle repair.

Main features are:

- 12.24 acre freehold site.
- 92,076 sq. ft. of fully equipped storage facilities and separate offices.
- Class 7 light goods vehicle test station.
- Major customers include blue chip national companies.
- Modern vehicle fleet.

For further details, please contact Gurpal S. Johal or Ralph S. Preece, the Joint Administrative Receivers, or Tony Robinson, at the address below.

10-12 East Parade, Leeds LS1 2AJ.
Tel: 0532 439021. Fax: 0532 445580.

Member DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Delta Belle Saloon Ocean Village Southampton

The Joint Administrative Receivers offer for sale on a going concern basis the business and assets of this popular American theme restaurant and bar.

- Leasehold premises on 2 floors at Ocean Village, Southampton which is a residential, commercial and retail complex in a marina leisure development.
- Current revenue approx £18,000 p.w. with scope for substantial improvement.

Further information may be obtained from the Joint Administrative Receiver, P R Copp, FCA, FCCA or E V L Blackwell, FIPA (ref das) at Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel: 071-486 5888, Fax: 071-487 3686, Telex: 267716 HORWAT.

STOY HAYWARD

Accountants and Business Advisers — A member of Horwath International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Major Distributor Of Industrial Hydraulic Equipment

Designer and builder of hydraulic power units and systems.

Turnover £1.6 million. Midland based. 5,600 sq ft freehold and expansion capability.

Enquiries, Write Box H8775, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

ELECTRONICS R & D AND PRODUCTION FACILITY

Located in rural area of North West Lancs within a few miles of the M6 equipped facility of approx 2,000 sq ft with car parking for 8 cars. Currently employing 7 people on contract work. Price includes residential 3 bed det bungalow, factory unit & up to date production equipment. Stock in trade negotiable.

Freehold for quick sale £265,000 Phone 0772-616795

Touche Ross

KBD Automotive Limited

(In Administrative Receivership)

The Joint Administrative Receivers, C. Morris and J. P. Richards offer a vehicle model making workshop for sale.

- Situated at Maldon, Essex – close to A12.
- Lease to June 1998 – 5,000 sq ft – option to purchase freehold.
- Steifelmayor Computerised measuring bridge.
- Band saws and milling tables.

For further details contact John Richards or Nigel Nutting at the address below.

PO Box 810, Friary Court, 65 Crutched Friars, London EC3N 2NP
Tel: 071 936 3000. Fax: 071 481 0081.

Member DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Touche Ross

Residential Nursing Homes

(In Administrative Receivership)

The Joint Administrative Receivers, Gurpal S. Johal and Ralph S. Preece offer for sale the goodwill and assets of two modern nursing homes based in W. Yorkshire. The main features are:

- New purpose built nursing homes with a total of 76 beds
- 24 hour RGN staffing.
- Modern facilities, fully equipped, comprising primarily single bedrooms
- Currently fully occupied with a waiting list
- In the Halifax and Huddersfield areas

For further details, please contact Gurpal S. Johal or Ralph S. Preece, Joint Administrative Receivers, or Richard Dasdoewicz at the address below

10-12 East Parade, Leeds LS1 2AJ. Tel: 0532 439021. Fax: 0532 445580.

Member DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

TRACY PARK GOLF AND COUNTRY CLUB

NEAR BATH, AVON, ENGLAND

SUPERB GRADE II LISTED GEORGIAN MANSION

An outstanding opportunity to acquire a well established 27 hole golf course with the benefit of outline planning consent for a major hotel, with extensive conference and leisure facilities including nine additional golf holes.

Set in some 223 acres in an area of outstanding natural beauty. Strategically located between Bath, Bristol, the M4 and M5 motorways and Bristol Airport.

OFFERS ARE INVITED SUBJECT TO CONTRACT FOR THE ENTIRE ISSUED SHARE CAPITAL OF THE COMPANY WHICH OWNS THE FREEHOLD INTEREST IN TRACY PARK.

Offers for all the shares of A.V.N.O. Holdings Limited are invited from parties restricted to those who are a body corporate, or a partnership, or a single individual, or persons of whom is, or is a close relative of, a person who is to be a director or manager of A.V.N.O. Holdings Limited upon completion of the purchase

Knight Frank & Rutley INTERNATIONAL
071 629 8171

Novasport (Scotland) Limited (In Receivership)

The business and assets of the NOVASPORT and LADY NOVA high street sportswear retail chain are offered for sale by the Joint Receivers.

- 'Novasport' and 'Lady Nova' trade names.
- 24 retail shops (leasehold).
- Annual turnover approximately £4 million.
- Substantial stock of leading brand sportswear.
- 140 employees.

For further information contact: Iain Bennet or David Leslie, Price Waterhouse, 1 Blythswood Square, Glasgow G2 4AD. Tel: 041-226 4593. Fax: 041-221 5563.

Price Waterhouse

COMPLETE MANUFACTURING FACILITY

(Lutterworth, England)

This facility, formerly used by the DE VLIEG MACHINE CO. LTD. (In liquidation) - a manufacturer of high precision Machine Tools - is available for sale as a 'TURN-KEY' MANUFACTURING UNIT including all Plant & Machinery, Consumable Tools, Office Furniture & Fittings, Computers etc. etc.

For further information - contact: NORMAN LEVY ASSOCIATES OVERSEAS INC. Station Tower - Station Square - Coventry CV1 2GR Phone: 0203 832277 - Fax: 0203 832226 - Telex: 312297

IIB INTELLIGENCE & INFORMATION FOR BUSINESS

BEFORE YOU BUY THE BUSINESS, WE'LL TELL YOU ABOUT THE BUSINESS THEY'RE IN AND WHO ELSE IS IN IT.

IIB S.A., CP 218, Petit-Lancy 2, CH-1213 Geneva
Telephone (+41 22) 788 2751 Fax (+41 22) 788 2726

ACQUISITION/ MERGER SOUGHT

We are an established unquoted Plc six years post-management buy-in working in the Food and Drinks industry. we are now looking for a suitable acquisition/merger prospect operating in the same general sector (ideally in food distribution manufacturer). The prospective company does not need to be operating profitability but should, with additional resourcing of funding and management, be capable of such.

Write to Box H8771, Financial Times, One Southwark Bridge, London SE1 9HL.

AUCTION SALE

By Order of Marathon Oil U.K. Ltd
Re: Surplus Constructional Materials, Brae 'B' Platform

MAJOR SALE

by Auction and Tender

of Over 11,000 Unused Line Items - Purchase Cost 1984/85 over £8,000,000

On: Wednesday and Thursday 26th and 27th June 1991
At: Teeside Offshore Base Middlesborough

PIPE & FITTINGS in Stainless Steel, Incoloy, Kunifer and Carbon Steel
STEEL PLATE, SCAFFOLDING,
ELECTRICAL COMPONENTS & CABLE,
INSTRUMENTATION and
GENERAL MAINTENANCE EQUIPMENT

On View 24 and 25 June 1991, 9.30 am to 4.30 pm and SALE DAYS
CATALOGUES ON REQUEST FROM:
SITE OFFICE - TEL: 0642 466240 or 0642 440049

Ryden Henry Butcher
44 Castle Street Edinburgh EH2 3BN
Tel No: 031 225 4643 Fax No: 031 220 4674

CAR DEALERSHIP

4-Wheel Drive Cars

Multi-Franchise Car Dealership. Located on Yorks/Derbys Border.

For Sale as going concern. Excellent Main Road Site. Available on new Lease at £28,500 p.a. with option to buy.

Fully Equipped Showroom, Workshop, Offices and Parts Dept. Approx 5,000 sq.ft.

Price £49,950 to include Plant and Equipment, F & F and Parts Stock.

Tel: 0742 630415

BUSINESSES FOR SALE

Touche Ross

Egerton Trust Group

(In Administrative Receivership)

The Joint Administrative Receivers, R. A. Powdrill, N. R. Lyle, D. L. Morgan and D. Campbell Griffith, offer for sale the business and assets of the above Group including:

Egerton Homes Southern
- ☐ Residential property developer.
- ☐ Approximate annual turnover 1990, £11 million.
- ☐ Freehold development sites in Kent and the Home Counties.
- ☐ Leasehold premises in Tonbridge, Kent.

Egerton Homes Northamptonshire Limited
- ☐ Residential property developer.
- ☐ Approximate annual turnover 1990, £5 million.
- ☐ Freehold development sites in Northamptonshire.
- ☐ Leasehold premises in Northampton.

Egerton Homes Strathclyde Limited
- ☐ Residential property developer.
- ☐ Approximate annual turnover 1990, £13 million.
- ☐ Freehold development sites in Strathclyde.
- ☐ Leasehold premises in Glasgow.

G. Percy Trentham Limited
- ☐ Long established construction contracting company.
- ☐ Approximate annual turnover 1990, £57 million.
- ☐ Leasehold premises at Theale, Berkshire.

Egerton Developments Limited
- ☐ Commercial property developer.
- ☐ Freehold and long leasehold commercial development properties and sites throughout England.

For further information please contact David Reed Harding or Nick Edwards at the address below or at Tonbridge. Tel: 0732 771115/771911. Fax: 0732 771119.

Member DRT International

Friary Court, 65 Crutched Friars, London EC3N 2NP. Tel: 071 936 3000. Fax: 071 480 6881.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Smith & Williamson

Corporate Recovery · Litigation Support · Corporate Finance · Taxation · Banking
Investigations · Investment Management · Pensions & Life Assurance · Accounting · Auditing

The Joint Administrative Receivers offer for sale the business and assets of the following companies:

IRC (Home Sale) Limited
IRC Property Exchange Limited
IRC Property Services Limited

The companies are market leaders in home relocation packages for corporate personnel.
- ★ 65 freehold domestic properties throughout England and Wales
- ★ 9 showhomes in attractive new developments in the South West, all fully furnished and equipped
- ★ Properties range from one bedroom flats to large family homes
- ★ Blue-chip client base

For details, contact Anthony Murphy, Peter Yeldon or Peter Mills on 071-637 5377 at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS, Fax: 071-323 5683.

Smith & Williamson, Chartered Accountants
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Smith & Williamson Securities
Authorised institution under Banking Act 1987. Member of IMRO. Member of the British Merchant Banking and Securities Houses Association

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Carrick Products Limited
(In Receivership)

The business and assets of Carrick Products Limited, a specialist manufacturer and wholesaler of solid pine furniture, are for sale as a consequence of receivership.

The business presently operates from two freehold factories comprising approximately 17,000 sq. ft. located at Newhaven, Sussex and a further freehold factory and office complex of approximately 9000 sq. ft. situated in Brighton, Sussex.
- Annual sales currently exceed £2 million.
- High quality order book.
- Specialised manufacturing process.
- Skilled workforce of 90.
- Excellent locations and opportunity to rationalise.

Additionally, a separate 5,200 sq. ft. freehold commercial building also situated in Brighton, Sussex suitable for a variety of purposes (currently used as a gymnasium) is available for sale.

Enquiries to: AJ Barrett FCA and MD Gercke FCA, Price Waterhouse, No. 1 London Bridge, London SE1 9QL. Tel: 071-939 3000. Fax: 071-939 5566.

Price Waterhouse

Offered for Sale

Le Mer Limited

The business and assets of this manufacturer, importer and distributor of 13 AMP electrical plugs, accessories and electric light bulbs.
- Current annualised turnover in excess of £3 million.
- Prestigious BS5750 Kitemark licence.
- Wide customer base of national blue chip accounts.
- Automated plug production facility ready to come on stream.
- Approximately 24,000 sq ft of warehouse, factory and office space in two locations at Morley, West Yorkshire and Long Eaton, Nottinghamshire.

For further details contact M J Moore and O J Waterhouse (quoting reference De La Mer) at Cork Gully, 5 Albion Place, Leeds LS1 6JP. Telephone 0532 457332, Fax 0532 434567.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Cork Gully

City Rentals Limited
(In Receivership)

The Business and Assets of the above company are offered for sale as a whole or in part. The company operates from offices in High Wycombe, Bucks as a provider of motor vehicles to independent rental operators. The business and assets comprise:-
- Leasehold premises in High Wycombe, London, Hendon and Birmingham
- Largest UK supplier of vehicles to independent rental companies
- Extensive customer list
- Turnover in the region of £9m p.a.

For further information, please contact the Joint Administrative Receivers, N J Vooght and R B M Graham at the following address: Cork Gully, 9 Greyfriars Road, Reading RG1 1JG. Tel: 0734 500336 Fax: 0734 607703

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Cork Gully

By Order of the Directors

Masonry Contracting Specialists

The business and assets of an old established company located in the West Midlands are available for sale
- Turnover £3 million per annum
- Existing contracts transferable
- Experienced staff
- Prestigious customer base
- No premises complications

Interested parties should contact, in the first instance, David J Comey at:- Cork Gully, 43 Temple Row, Birmingham, B2 5JT. Tel: 021-236-9966. Fax: 021-200-4040.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Cork Gully

CONTAINER STORAGE BUSINESS

The Joint Receivers of N.B. Storage Systems Ltd offer for sale the business and assets of the company which is based in Wishaw, Lanarkshire, and trades as N.B.C., National Box Corporation.
- ☐ 2 Acre Freehold Site, convenient to M74.
- ☐ 350 standard 20' insulated shipping containers, at various UK locations.
- ☐ Ongoing customer base.

For further details please contact:

N.J. McNeill or D.J. Hill,
Joint Receivers,
BDO Binder Hamlyn,
Ballantyne House,
168 West George Street,
Glasgow G2 2PT.
Tel: 041-248 3761
Fax: 041-332 5467.

BDO BINDER HAMLYN
Chartered Accountants

BDO Binder Hamlyn is authorised to carry out investment business by the Institute of Chartered Accountants of Scotland.

By Order of the Joint Liquidators P Withinshaw Esq and J Hilton Esq of Robsons Impey & Partners
Re: Robert Loyland (Garages) Limited

FULLY EQUIPPED MODERN PURPOSE BUILT FREEHOLD GARAGE AND SHOWROOM PREMISES OPERATED AS MAIN VAUXHALL DEALERSHIP

Located Crewe

16,000 sq ft mainly single storey
Full maintenance and bodyshop facilities
Stock at valuation.

FOR SALE

Further details and arrangements to view
Contact Ref: RKH

EDWARD SYMMONS & PARTNERS

Rational House, 64 Bridge Street, Manchester M3 3BN.
Tel: 061-832 8454 Fax: 061-832 2571 Telex: 8954348
LONDON MANCHESTER LIVERPOOL BRISTOL SOUTHAMPTON

EUROPEAN LEISURE

Probably Europe's largest floating entertainment venue. 2 discos, 3 bars, restaurant and function suite on four decks. Can be moved to any location worldwide.

For further information contact:
Brian Blackiaw, Christie & Co., Sutherland House,
108 Dundas Street, Edinburgh, Scotland EH3 5DQ.
Tel: 031-557 6666

CHRISTIE & Co
CORPORATE & ACQUISITION

The George Hotel Burslem, Stoke-on-Trent

For sale as a going concern the business and 19 year lease of a substantial town centre hotel comprising
- 39 Bedrooms
- Restaurant
- Function facilities
- Health suite

Turnover approximately £600,000 per annum

For further details please contact the joint administrative receivers Andrew Menzies or Ken Jones

ROBSON RHODES

Centre City Tower, 7 Hill Street, Birmingham B5 4UU
Telephone: 021-643 1938. Fax: 021-643 4993
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

F O R S A L E
QUAKER HOUSE COLLIERY LTD
BILLINGE, WIGAN, GREATER MANCHESTER
(IN ADMINISTRATIVE RECEIVERSHIP)

The Administrative receivers offer for sale the business and assets of Quaker House Colliery Ltd.

Principle features include:
- Fully equipped private drift mine.
- Opencast potential.
- Planning consent for a new drift.

For further information; please contact Richard Traynor or Gary Bell, of Buchler Phillips & Traynor, Blackfriars House, Parsonage, Manchester M3 2HFL.
Telephone 061 839 0990.
Facsimile 061 832 7436.

BUCHLER PHILLIPS & TRAYNOR

CONCRETE VIBRATING POKERS

The manufacturing business of two well known brands of concrete vibrating poker is available for sale.
Turnover £482.2k including £201.3k exports for year to 31st December 1990. Goodwill, drawings, special jigs and fixtures, inventory, order book and know how are the assets being offered for sale.
Ideal to consolidate with the manufacture of other construction equipment or for companies with surplus CNC capacity (max dia. 75mm).

Write Box H8797, Financial Times,
One Southwark Bridge, LONDON. SE1 9HL

FRUIT AND VEGETABLE IMPORTING AND MARKETING COMPANY

This long established company is fully equipped to service national Supermarket chains as well as traditional wholesale outlets. It has its own freehold packing house and cold stores and separate additional offices, all situated south of London in easy reach of the Channel Tunnel and the M25 motorway. The company is interested in either an outright sale, or merger.

Serious principals only please write giving information on financial ability to purchase/merge to: Box 22, 43 Earls Court Road, London W8 6ED

FOR SALE
SHEET METAL FABRICATION COMPANY

TURNOVER £500,000 +.
BASED IN THE NORTH WEST, IT HAS AN EXCELLENT COMMUNICATIONS NETWORK WITH A MODERN FREEHOLD FACTORY AND OFFICES.
GOOD CLIENT BASE WITH ORDER BOOK.
WILL CONSIDER EARNOUT PROPOSALS.

DETAILS:
A ANTHONY ASSOCIATES
ROSEHILL HOUSE, LYDIATE,
MERSEYSIDE. L31 4JF
TEL: 051 526 4008, FAX: 051 526 1673

BUSINESS FOR SALE
SPECIALIST ENGINEERING

Purchasers are sought for this North West based manufacturer of specialist industrial process cleaning and catering plant, in stainless steel and alumium.
Turnover £1 million. Net Assets £350,000.
Owners seek nominal price.

Principals only please write Box H8810, Financial Times, One Southwark Bridge, London SE1 9HL.

Established
SMOKED FOOD PROCESSORS
Southern England
- ☐ Own brand of salmon, salmon trout and meats
- ☐ Excellent modern smokehouse
- ☐ 5 tonnes per week production capacity
- ☐ Increasing UK and export sales

Business & Assets for Sale

Write Box H8783 Financial Times, One Southwark Bridge, London SE1 9HL

For sale
Storage and Distribution
Profitable specialist transport business
Long Established
Strong client base
Strategically Placed
Principals only please

Melville Associates Limited
10 Charlotte Square
Edinburgh EH2 4DR
Tel 031-226 7676
Fax 031-220 0386

CHRISTIE & Co

NORFOLK VILLAGE
Residential Care Home, Registered for 24
Substantial detached property in approx. 1.75 acres. Run under management within close proximity to Norwich. Well established with potential to extend – ideal for conversion to nursing home. Detached 3 bed owners house. Fee rates £180-£190 p.w.
£675,000 freehold
Ref 7/3613

IPSWICH OFFICE
0473-256588

FOR SALE

Freehold or Leasehold 3 Star Hotel 34 rooms all with en suite facilities. Separate but adjoining staff accommodation. Full Conference facilities. Sauna and Gym. Hotel recently refurbished to high standard. Located near M25 with excellent transport services to Central London.

Write Box H8795 Financial Times, One Southwark Bridge, London SE1 9HL

TRAVEL AGENCY LONDON W1

IATA/ABTA
Fully automated
T/O £1.5 million+

Write Box H8768, Financial Times, One Southwark Bridge, London SE19HL

CENTRAL LONDON RECRUITMENT AGENCY

Long-established, well-known and reputable business in genuine market niche. 1990 turnover £1.2 million, profit £280,000.
Offers around £1 million cash for business, goodwill and assets.
For further details, please write to

Box H8807, Financial Times, One Southwark Bridge, London SE1 9HL.

TWO RELATED BELGIAN INSURANCE COMPANIES

wish to sell their local business-Annual premium income about $12,000,000. Life and fire (Homeowners risks) only-Excellent technical results-Impressive Company building in nice surroundings.

Write Box H8726, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

WINE-RELATED ART & ACCESSORIES

Principally mail-order. Leading name in the field - 5 years' steady growth (1990 sales c£400k), profitable. Computerised customer list of 7,000. Vendor can continue to provide services (inc. distribution). Offers in the region of £125K-£200K. Principals only, no agents.
For details fax Rosie Gilbert on (0264) 356777.

FOOD & DRINKS WHOLESALERS

Food/Drinks/Confectionery exporters with extensive customer base in Europe & Middle East wish to purchase well known Brand Name products in containerloads from UK & European Wholesalers.

Contact advertiser by fax on 081-960 7283

SOFTWARE COMPANY *FOR SALE*

Software house established for 25 years for sale.
6 figure turnover.
Worldwide customer base.
Write Box H8787 Financial Times, One Southwark Bridge, London SE1 9HL

Profitable Recruitment Agency For Sale

Based in Scotland the turnover currently three and half million pounds, unbroken run of profitability over the past eight years and still expanding. Non-participating principal shareholders wish to sell. Principals only apply.

Write Box H8782, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

CHANNEL ISLANDS

Successful restaurant, beautifully appointed, 50 covers, highly recommended. £0.25m. T/o, good location, 18 years left on lease. Includes garden restaurant with 100 covers and outside catering opportunities. Plus low taxes, no capital gains, relaxed lifestyle, beautiful surroundings - all free. Offers invited on £125,000.

Write Box H8776, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

Independent Boarding and Day School

Located in North-West. Very well established and profitable, set in large grounds with over 250 pupils. Principals only.

Please write Box H8780, Financial Times, One Southwark Bridge, London SE1 9HL

MANUFACTURER

Household/garden products
Market Leaders
Prime freehold properties
West Midlands
£1.4m T/O. total sale

Write Box H8816, Financial Times, One Southwark Bridge, London SE1 9HL

Dynamic and profitable West Midland Engineering/Presswork business for sale.

Write in confidence to Box H8785, Financial Times, One Southwark Bridge, London SE1 9HL

SALE OR MERGE

Ventilation ductworks, blue chip base, location Essex.

Write Box No: H8778 Financial Times, One Southwark Bridge, London SE1 9HL

Long established
FITTED KITCHEN/ BEDROOM BUSINESS FOR SALE
N.W. London area
Turnover in excess of £700,000.

Write Box H8800, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESSES FOR SALE

CHRISMER GROUP OF COMPANIES

Comprising:
Chrismer UK Limited
Matchless Lighting (Ipswich) Limited
Besa Lighting Limited
Bycrafts Furnishing Co. Limited

The Joint Administrative Receivers offer the assets of the businesses for sale.

The Companies business is in the lighting industry.

- Retail outlets
- Concessions at major department stores
- Manufacturing shades and fittings with skilled workforce
- Wide customer base with many "Blue Chip" clients
- Turnover approximately 3 millioo per annum

Interested parties should contact the Joint Administrative Receivers. Reference: L3329. Telephone: 071 267 4477. Telefax: 071 485 1486.

LEVY GEE

Touche Ross

Cathedra Limited

(In Administrative Receivership)

The Joint Administrative Receivers, N. R. Lyle and D. L. Morgan, offer for sale the business and assets of the above furniture design and manufacturing company.

- Cathedra founded in 1974, offers a comprehensive specialist furniture manufacturing service from a modern leasehold factory overlooking the Thames Barrier at Woolwich.
- The high quality products based upon a wide variety of production skills and materials include individual commissions, executive furniture suites and complete trading desk areas for financial services operations.
- An extensive client list includes many leading companies, banks, stock brokers, architectural practices and interior designers.

For further information, please contact Brett Corfield at the address below.

PO Box 810, Friary Court, 65 Crutched Friars, London EC3N 2NP.
Tel: 071 936 3000. Fax: 071 480 6881.

Member DRT International

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The Long view

William Packer reviews the Richard Long exhibition at the Hayward Gallery

Richard Long, as the press release to his latest exhibition inelegantly has it, "is one of Britain's most internationally acclaimed artists", which bald claim, like it or not, is impossible to gainsay. From Tokyo to San Francisco by the longer route, every substantial collection of contemporary art must needs have its Long circle of stone or wood or mud to sustain its credibility and self-respect. Indeed, for all the claims we might vaunt on behalf of British art at large, his has so often filled out its token representation abroad, one of a tiny, select band with Bacon, Moore, Caro and Hockney.

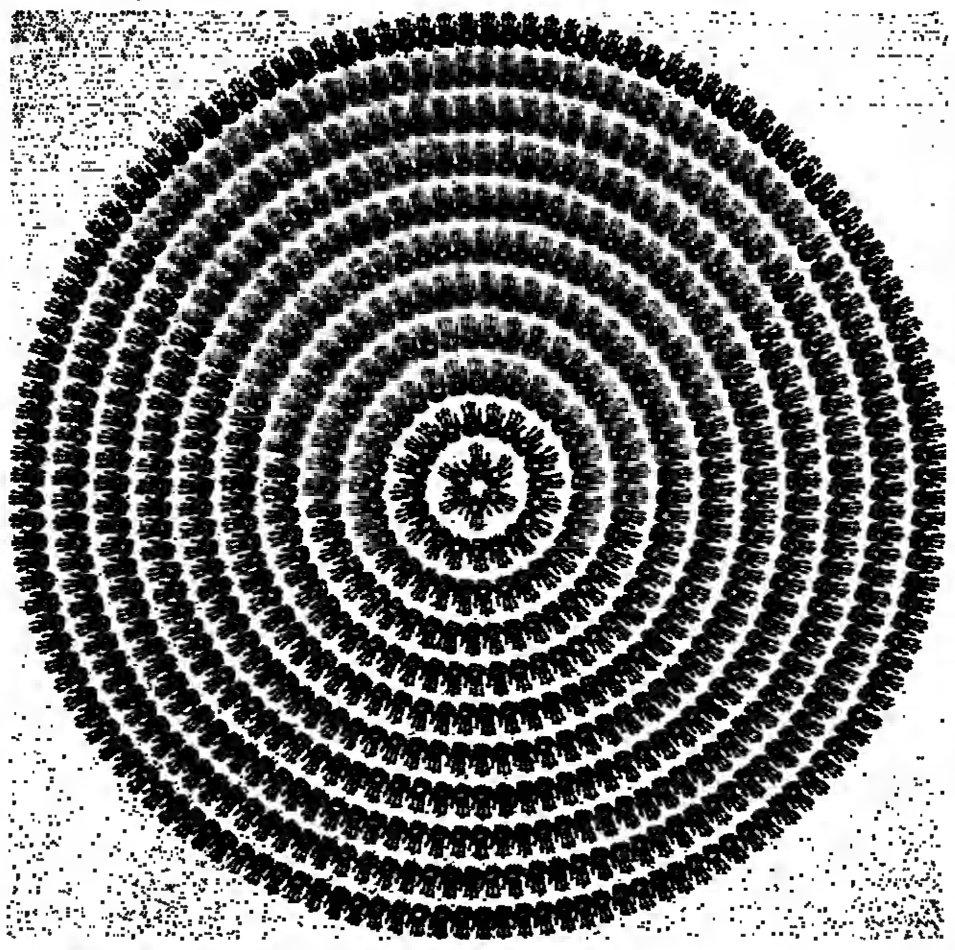
Such has been his standing at least these 15 years past. He filled the British Pavilion at Venice in 1976, and at the Whitechapel in 1977 was accorded his first full retrospective. Now he fills the Hayward Gallery with a second thorough survey of his life's work (until August 11: sponsored by Beck's Bier), and he is still only 46 years old. Should we see it only in terms of his personal success, this latest exhibition would be an event of considerable interest, and even importance for what it tells us of the attitudes and priorities of the current art world.

"But what did you think of the play, Mrs Lincoln?" If curatorial and critical attitudes towards Long and his achievement may sometimes cause us to raise the odd despairing eyebrow, it has to be the work that counts, or gives us pause. He may be a true sculptor within the conceptual meaning of the act, but standing within the same tradition does not mean we have to accept him, as some have seriously proposed, as the peer of Moore, Rodin, Bernini and Michelangelo, and the greatest English landscape artist since Turner. At a lower, still honourable level, there is much in his work to stimulate and intrigue the imagination, and, in its physical presence, actually to admire.

The first thing to say is how well it makes the Hayward look; emptied at the last of all screens and partitions. How typical it is of us only to begin to appreciate the qualities of a place just as we are about to lose it: Hands off the Hayward? – but back to the point. Not for the first time with Long in recent months, *vide* the central sculpture halls of the Tate last spring, we find ourselves looking as much at the architecture as at what he has put into it.

Site-specific as ever, in the current jargon, might this not mean that Long has become, indeed in essence always was, a decorator – brave, radical and blessed with finely discriminatory taste and judgment, but a decorator still? The scale of the huge lines and circles that he sloshes onto the wall in a slurry of mud or clay is that of the scene painter, and theatrical as they are in their presence, the images too are of a theatrical impermanence. And the installations, the lines and circles laid out on the floor whereby Long brings the material of nature – stone, wood, turf – into the gallery, they too, once the first frisson of pleasurable surprise has passed, smack rather of the scenic reference and gesture than of any more permanent and definitive commitment.

It is in short work that relies heavily upon effect, and the trouble with effects is that they tend to wear off. Having spent so much of his time walking through the landscape, leaving traces to be construed as conscious art, if not always quite so ephemeral as that first line trodden into the dewy meadow nearly 25 years ago, it was reasonable to try some way of bringing such equivalent experience into the gallery. But the connection with the informing conceptual experience was always the justification. Driftwood is driftwood, wherever it comes from, stone stone, each material imbued with its given formal and natural qualities. To celebrate them is all very well, but to do so, even once, is more an act of conscious aestheticism than originality, teasing the taste buds while purporting to engage the mind, flattering to deceive. To try it once or even twice was fair enough: to go on and on has been to indulge in little more than endless elegant variation, dramatic, enjoyable and physically beautiful as it has so often been.



'River Avon Mud Hand Circles' by Richard Long

It is where Long has remained closer to his first conceptual inspiration that his work remains strongest, first in the maps and photographs that he presents as both the record and equivalent of the external experience of walking through the landscape, latterly in the texts, the lists of incidents, objects, musings thought or felt or seen along the way. But even here Long cannot quite bring himself to grasp the nettle that his friend and sometime colleague in hiking boots, Hamish Fulton, took up long ago.

If the self-conscious passage across the earth's surface from A to B, and the traces of that passing, are together enough to constitute a true work of art, then that work must be left to live on its own account, free of explication or special pleading. Where Fulton (Serpentine Gallery until July 14: sponsored by Celestion Indnstries) will allow the simple reference, whether drawn or photographed, to stand by implication for the whole experience, proof only that he was there, Long must still spell it all out, build and photograph his lines and circles in the desert, say just where and when and what he has done, tell us of the stones carried, the rivers crossed, the maps traced. The contrivance is all.

"DEEP BREATHINC TO GRIMSPOUND TO BENNETT'S CROSS TO MIDCSS TO A NEW-BORN CALF"... the texts are terse yet sentimental, poetical but, once thought of as poetry, not poetry at all. He is a nervous romantic after all, anxious at once that we should not miss the point and that his work, his baby, should not pass out of his hands. He walks a circle in the mist, notes the direction of the wind as he walks, where he crosses the stream, the orientation of his tent each night, the sonnds he hears when he wakes up. How I wish he would leave it at that.

Cold Comfort Farm

WATERMILL THEATRE, NEWBURY

It would be hard to think of a more inspired venue for a staging of Stella Gibbons' marvellous comic novel than the Watermill Theatre – a place of rolling lawns and winding water, where "nature" seems hellbent on busting the carefully groomed borders. Add, in this unseasonally damp and chilly June, coachloads of shivering brethren huddled under golfing umbrellas in full evening dress, and the spirit of +Cold Comfort Farm+ is upon you. Like the novel itself, it is all so wonderfully and eccentrically English.

Paul Doust's new adaptation embraces the book with a stylistic exuberance that is echoed in Amanda Knott's direction and James Merifield's design. Inside the theatre, where the play begins and ends, furry corpses dangle above filthy cauldrons in a parlour festooned with great green loops of the dreaded sukbine. Outside, where (weather-permitting) the ball scene is staged, a candlelit staircase rises out of a lawn, evoking the grandeur of the Hawk-Monitor mansion.

The problems of adapting e novel to the stage are compounded by the need to find e theatrical equivalent to Gibbons' literary parody. +Cold Comfort Farm+ is, as its heroine bossily reminds us, a send-up of the rural novel. Its repertory of jokes extends to the use of asterisks to signal the start of any purple passages – not a convention that easily translates into dramatic terms.

Doust confronts these difficulties with his own brand of theatrical apostrophe, while remaining remarkably true to his source. "One can't keep on experimenting willy-nilly with convention. What would the audience make of tbat?" demands Alison Larkin's pizzicato Flora, as she sets about reforming the Starkadders' farm. The challenge for the cast is to catch the anarchic spirit without going over the top – and on the whole they do admirably. There are some marvellous moments, as Rennet (Diane Axford) once more hurtles off to throw herself in the well, as Darlene Johnson's wild-eyed Judith plops face-down in her porridge in despair at her mollocking son (the lusty Ben Totterdell), or as Aunt Ada Doom rises vulture-like from her bed with her cry: "I saw something na-a-rsty in the woodshed".

I regret the inevitable relegation offstage of the cowbarn, with its three-legged, tell-munching cows, and I felt that the final scenes rather lost their momentum. But I will treasure the memory of the zealous Amos (Stephen Ley) berating the Quivering Brethren from a disintegrating balcony by the river, as his flock sets off in pursuit of a London-bound tractor driven by Karen Westwood's exquisite Elfine. I'm sure Stella Gibbons would approve.

Claire Armitstead

Frankfurt Ballet

THEATRE DU CHATELET, PARIS

Paris is crowded with dancing at the moment.' A new programme of American choreographies takes the Opéra Garnier stage this week; William Forsythe's Frankfurt Ballet is at the Châtelet; while Pina Bausch and her troupe are installed directly across the Place du Châtelet at the Théâtre de la Ville. Paris is Europe's dance capital by virtue of its eagerness to welcome the new (and accept the sometimes frightful), and because of reasonable subventions, and managements' willingness to seek out the innovative. How unlike the home-life of our own dear ballet.

Forsythe is the latest hero for Paris's devoted dance eudience. Last October the Châtelet initiated a series of spring and autumn seasons for the Frankfurt Ballet which effectively give the company a second home, and a young-ish, enthusiastic audience has taken the apostle of dance-deconstruction to its heart. What Forsythe offers – as I saw in a triple bill on Saturday night – is energy, splinter-bomb style, with choreographic shrapnel flying in all directions. This is allied to a hermetic manner which can defy comprehension. (The latter fact encourages Forsythe apologists to make the most splendid claims for his "architactnre of disappeerance", with Wittgenstein, Laban, David Liebeskind as part of the intellectual baggage of his creativity).

Forsythe's ballets, with their arcane titles – *Slingerland*; *The Vile Parody of Address* – are meat and drink for those prepared to be intoxicated by flashing limbs and no less dizzying pretensions to meaning. The pieces are attuned to what I suppose is our own *fin de siècle* spirit: something grey, desperate, and conditioned to violence, both natural and social. Forsythe's work is often placed in a shadowed, penumbral light. Figures, actions, are illusions, spectres whom we barely see. Odd and unexpected, the life of the piece looks fragmentary, perverse, as in this season's *Vile Parody of Address*. On entering the auditorium, the audience finds the curtain up, an immobile man in white shirt and shorts facing a pendant white bouquet, beside him a seated figure danbed black, a white cone on his nose, wearing a battered top-hat, and looking like voodoo's Baron Samedi. At the back of the stage (the Châtelet provides a superb, large dance area) a narrator in an illuminated grotto reads an inaudible text. A recording of Glenn Gould playing serenest Bach is the accompaniment. Dancers enter singly to perform short solos (Helen Pickett, the first, lovely in her fluid movement), and there is also one pas de deux. The language of the academic dance is nndged at times towards imbalance, and seems in danger of self-destructing. Slight incidents hreak something of tha monotony, hnt it is all lesa than exhilarating, and suggests incomprehension as a means of understanding.

Scene from William Forsythe's 'The Second Detail'

In one of his earliest ballets, the *Flore Subsimplici* of 15 years ago, Forsythe produced a not-unworthy Balanchinian gloss. He has moved from there, by way of such memorable pieces as the politically angry *Orpheus* of 1979 , to a differently angry, aesthetically hrusque style, which was seen at its cleanest and clearest in his second work on Saturday's programme, *the second detail*. This is overtly classical in patterning – it boasts formal outlines worthy of Petipa – bnt anti-classical in denying any snbtlety of means, or harmony and coherence of language. The movement is coarse, teetering on the edge of that abyss into which some of Forsythe's other choreographies (like *Slingerland*) have plunged. Dance wrenches the performers' torsos as extravagant extensions are matched to the harsh musical world of Thom Willems, Forsythe's favoured composer. (It is the same world of *In the middle, somewhat elevated*, first given at the Opéra, which the Royal Ballet will stage next season).

The intellectual substructure of such Forsythe creations may be considerable, but the conflict between the accessories of the production – the incidents that lurk in the shadows of the dance; such tricks as film projections or a fall of snowflakes – and the limited range of vehement movement make frustrating viewing. The dance is neither rich enough nor sufficiently cohesive. It is bellet Humpty-Dumpty fashion, with fragmentation as a way of examining a whole.

This Frankfurt triple hill was completed by *No Wild Ones* ,a creation from the company choreogrepher Amanda Miller. It bears the marks of the house-style – super-charged movement; lighting that obscures as much as it reveals – and sustains itself by repetitions and such modish devices as the skate-board. It has the un-classical air of much Euro-dance of the momant (like unquiet spirits on the rampage) but there are welcome flashes of a sassy humour in challenging sexual stereotypes. Company performances throughont the evening, needless to say, are tremendous in dedication to the text.

Clement Crisp

The Last Day

SCHAUSPIELHAUS, COLOGNE

The Hungarian-German playright, Odon von Horvath, wrote lyrical fatalistic folk dramas and lived and died more dramatically than any of them: he was killed in 1938, aged 36, by a falling chestnut tree in a storm on the Champs Elysée, having fled to "safety" in Paris after Hitler marched into Vienna.

London audiences saw *Tales from the Vienna Woods* at the National Theatre in the 1970s. *The Last Day* (1937) was written just before he left and is at once prophecy and tragedy of its times.

A snapshot, through one man's catastrophic breaking away, of small-town pressures, it builds up an image of a *gemütlich* culture locked into bourgeois conformity and obedience to the common outlook which Hitler found so useful in the following years.

Gunter Kramer's production, seen last month at the Vienna Festwochen and now come home for its Cologne premiere, nods at Horvath's far-sightedness with a silent film prelude – massed crowds welcoming Hitler into Austria – but otherwise leaves this powerful work to speak for itself.

It turns on two village characters, stationmaster Thomas and Anna, the idiot child-girl who flirts with him and screams out the gossip about his older wife. When she kisses him, Thomas is sufficiently distracted to forget to change a signal, causing a fatal accident. Cover-up, murder, suspense follow; will he escape with a garbled lie, will private guilt or social hounding get to him first?

The play depends on tragicomic balance, an imperceptible slide from satire to the dark night of the soul, from mocking local colour to passionete intensity. Kramer never misses e note: twee 1930s station, Anna's hopscotch pattern on the track, Bavarian dialects and *dirndl* dresses, feathered hats and *lederhosen*; then the overhead wires of e viaduct, Thomas clinging on by his finger-nails, lantern-bearing villagers stampeding behind and the dead, illuminated in purple-blue precision, calling up from below.

The Kramer hallmark – simple set, key motifs – works like a charm for so structured e play, with its echoes of remorse and innocent folk ways eroded. Anna's red handbag, which she carries like a toy, is held up to passing trains repeatedly in remembrance of Thomas's failed red and green signals. Yodelling starts as merry ditty; becomes a terrifying chorus of forced joviality, a rally to sbnt out unpleasant truths; then recurs as a dirge chanted by ghosts.

Tragic roles interplay with the archetypes Horvath sketched perfectly. As Anna, Maria Heppel combines the two: e roly-poly child who speaks truth in madness and develops during the play from intuitions clumsily expressed to full-blown guilt, regret and longing. Ms Heppel played another symbolic crazy child in Kramer's *Stella* earlier this season; here is a complex reworking of the role.

Martin Reinke's Thomas is ostensibly more conventional but the gentle/gruff, confused/defensive stationmaster, big heart and jumpy nerves bursting out of his uniform, is another child at heart, unable to keep up the social game, and so destroyed.

Among vignettes, Grete Wurm is a waddling Bavarian gossip, Susanne Barth the pinched, neurotic older wife. Toni Blankenheim plays her monrnful brother, sbooed away, hat thrown after him, when his mood does not accord with the *village*, embraced later as informer, in a role which goes to the core of this production's mix of cruelty and sentiment.

Jackie Wullschlager

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Kiri te Kanawa sings Mozart and Strauss with the Netherlands Radio Philharmonic Orchestra conducted by Walter Weller. Also in the Klaine Zaal at 20.15: Joachin Achucarro plays piano music by Granados and Albenlz. Fri: Yehudi Menuhin conducts Beethoven programme, with Leland Chen soloist in the Violio Concerto. Sat: gala concert with Jessye Norman and the Royal Concertgebouw Orchestra conducted by Riccardo Chailly (6718 345)

■ ANTWERP

De Vlaamse Opera 19.00 Jos van Immerseel conducts Philippe Berling's production of Handel'a Alcina, with Daniella Lojarro in the title role, Alicia Nafe as Rugglero and Guy de Mey as Oronte. Runs till July 2, with next performance on Fri (233 6685)

■ BERLIN

Deutsche Oper 19.30 Peter Schaufuss' production of Giselle. Sat: new production of ballets by Kenneth MacMillan and Oleg Vinogradov (3410 249)
Staatsoper unter den Linden 19.30 Salome, with Theo Adam as Jochanaan. Tomorrow: Die Zauberflote. Thurs: Heinz Fricke conducts Der Rosenkavalier (2004 762)
Schauspielhaus 20.00 Manfred Scherzer conducts the Berlin Virtuosi in e programme on the thema of Mozart in Paris. Thurs: Mormon Tabernacla Choir. Fri: Mahler'e Second Symphony (2272 261)
Philharmonie Kammermusiksaal 20.00 Claudio Abbado conducts Berlin Philharmonic Orchestra in Haydn and Mozart symphonies, plus Mozart's Piano Concerto No 12 with soloist Yevgeni Kissin, also tomorrow and Thurs (2614 383)

■ BOLOGNA

Teatro Comunale 20.30 Gustav Kuhn conducts final performance this season of Lorenzo Arruga's Italian-language production of Die Zauberflote (529999)

■ BRUSSELS

Palais des Beaux Arts 20.30 Closing gala of this year'a Queen Elisabeth Piano Competition: the first three prize-winners - Frank Braley, Stephen Prutsman and Brian Ganz - appear in a concert with the Liege Philharmonic Orchestra conducted by Pierre Bartholomee (507 8200)
Monnaie 19.00 Sylvain Cambreling conducts Luc Bondy'e production of L'Incoronazione di Poppea, with a cast led by Catherine Malfitano, Wieslaw Ochman and Trudaliese Schmidt. Also Sun at 15.00 and next Tues (219 6341)

■ COLOGNE

Opernhaus 19.30 James Conlon conducts Michael Hampe's production of Don Giovanni, with Thomas Allen in title role, Ferruccio Furlanetto as Leporello and Carol Vaness as Donna Elvira. Tomorrow, Fri and Sun: Fidelio with Nadine Secunde as Leonore (221 8400)
Philharmonie 20.00 Operetta concert with the South-Westfalian Orchestra conducted by Konstantin Schenk. Tomorrow: music by Prokofiev, Rimsky-Korsakov and Musorgsky sung by Cologne Radio Chorus (2801)

■ GENEVA

Victoria Hall 20.30 Armin Jordan conducts Orchestre de la Suisse Romande in world premiere of Hans Ulrich Lehmann's Nocturnes, plus Stravinsky'e The Rite of Spring and Frank Martin's Six Monologues from Jedermann, soloist Gilles Cachemaille. Repeated Thurs (292511)

■ LONDON

MUSIC
Covent Garden 19.00 Jeffrey Tate conducts John Schlesinger'a production of Les Contes d'Hoffmann, with Alfredo Krsus in title role, James Morris es the four villains and Sumi Jo, Anne Howells and Leontine Vaduva in the main female roles. Repeated Fri. Tomorrow and Sat: Harrison Birtwistle'e new opers Gawain. Thurs: Attila (240 1066)
Coliseum 19.30 Noel Davies conducts Tim Albery'a production of Peter Grimes, with Graeme Matheson-Bruce as Grimes and Jonathan Summers as Belstrode, also Fri. Tomorrow: Timon of Athens. Thurs and Sat: Lady Macbeth of Mtsensk (836 3161)
Royal Festival Hall 19.00 Maxim Shostakovich conducts London final of the World Piano Competition. Tomorrow: Claus Peter Flor conducts the Philharmonia, with Viktoria Mullova violin soloist. Thure and Sun: Andre Previn conducts the RPO (928 8800)
THEATRE
Shakespeare: the Royal Shakespeare Company revives Sam Mendes' production of Troilus and Cressida tonight at The Pil (further performances tomorrow and Thurs), with Ralph Fiannes and Amanda Root in the title roles. Tomorrow, Ian Judge's colourful production of The Comedy of Errors joins the repertoire at the Barbican (also Thurs). At the Open Air Theatre Regents Perk, Peter Woodward and Nichola McAuliffe play the lasding coupla in the New Shakespeare Company's production of Macbeth, directed by William Gaunt and designed by Bruno Santini (tonight and tomorrow). For information about all West End ahows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MADRID

Auditorio Nacional de Musica 22.30 Piano recital by Ivo Pogorelich. Tomorrow: eong recital by Carole Farley (337 0100). Tomorrow in Teatro Lirico La Zarzuela: Spanish premiere of Peter Grimes, with Jacqua Trussel in title role, Nancy Guslefson as Ellen and Richard Stilwell as Baletrode (429 8225)

■ MILAN

Teatro alla Scala 20.00 Gianandrea Gavazzeni conducts Franco Zeffirelli's production of La boheme, with Mirella Freni as Mimi, Richard Leech as Rodolfo and Gino Quilico as Marcello. Sun and next Mon: Riccardo Muti conducts Orchestra of La Scale in Busoni's Turendot suite, Scriabin'e Poema d'Extase and Brahms' First Pieno Concerto, with Maurizio Pollini as soloist (7200 3744)

■ MUNICH

Staatsoper 19.30 Riccardo Duse'e production of Cinderella, music by Prokofiev. Tomorrow: Sawallisch conducts Cardillac. Thurs: Il barbiere di Siviglia. Fri: The Love of Three Oranges (221316)
Philharmonia 20.00 Peter Schreier conducts Messiah, with CPE Bach Orchestra, Leipzig Radio Chorue and soloists Robert Holl, Dagmar Schellenberger-Ernst, Anette Merkert end Wolfgang Millgram (346620)

■ NEW YORK

Metropolitan Opera 20.00 American Ballet Theatre in Kenneth MacMillan's production of Romeo and Juliet. Runs till Sat, with additional matinea performances tomorrow and Sat (362 6000)
New York State Theater 20.00 NY City Ballet in Balanchine's Jewels. Season runs till June 30 (870 5570)

■ PARIS

Théâtre de la Ville 20.30 Tanztheater Wuppertal in Pine Bausch's latest work Palermo Palermo. Also tomorrow and Sat (4274 2277)
Théâtre des Champs-Elysees 20.30 Philippe Entremont conducts Vienne Chamber Orchestra in Mozart Symphonies No 33 and 40, plue concert arias with Margaret Price (4720 3637)
Chatelet 20.30 Ballet of the Frankfurt Opera in Limb's Theorem by William Forsythe, also tomorrow and Thurs. Fri: Marie Joao Pires plays Mozart. Sat: Boulez conducts Ravel, Mahler and Strevinsky (4028 2840)
Salle Pleyel 20.30 Piano recital by Vladimir Ashkanazy, with music by Brahms and Beethoven (4561 0630)

■ VIENNA

Staatsoper 19.00 Lucia Popp elngs title role in Arabella, with Franz Grundheber as Mendryka and Marie McLaughlin as Zdenka. (51444 2960)

■ ZURICH

Tonhalle 20.15 Kurt Sanderling conducts the Tonhalle Orchestra in music by Mozart and Schubert, repeated tomorrow, Thurs and Fri (201 1580)
Opernhaus 19.30 Ralf Weikert conducts Cleus Helmut Drese'e production of Das Rheingold, with Robert Hale as Wotan and Heinz Zednik as Mime, also Fri. (251 0909)

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Lloyd's and the taxpayer

BANKRUPTCY is not a pleasant business, and those members of Lloyd's of London who stand to lose everything in the wake of huge insurance losses at the end of the 1980s are no less deserving of sympathy than others in comparable financial difficulties elsewhere. But if there is a public interest case for granting them special treatment at the taxpayer's expense, it has yet to be made by the rather implausible coalition of Labour and Conservative politicians who are now lobbying the government to accept an amendment to the Finance bill.

The amendment, tabled by Mr Ian Taylor, Conservative MP, proposes that one of the budget's tax reliefs for losses, which was intended to mitigate the financial damage of recession on business, should now be extended to names (members) at Lloyd's. This would permit losses to be carried back as far as three years to offset against earlier profits. Many Lloyd's names, who include more than 60 Conservative MPs, feel that if insurance companies enjoy these reliefs on their underwriting losses, they should be similarly treated. The Treasury is already considering the issue, following a letter from the chairman of Lloyd's to Mr Norman Lamont, the chancellor, in April.

Opportunistic argument

The arguments for the change are opportunistic. Not so long ago the economics of Lloyd's membership were dictated largely by the fact that underwriting losses could be offset against a private individual's income tax. In effect, the names were prepared to accept unlimited liability on the basis of this substantial tax shelter. When the top marginal rate stood at 98 per cent under Labour in the second half of the 1970s, many bore only 2 per cent of any underwriting losses they incurred. They also enjoyed substantial tax reliefs in relation to trading in the gilt-edged stock in which premiums were invested.

Today, with the top marginal rate of income tax at 40 per cent and the tax shelter on dealing in government stock removed, membership of Lloyd's is less about tax avoidance, more about insurance. Unlimited liability persists, which is why some names now face the prospect of 19th century financial discipline. But that is not a justification for permitting Lloyd's to cherry pick from whatever corporate or other tax legislation happens to offer the greatest relief for the particular trading conditions of the day.

Safety net

The public interest in providing a safety net to distressed individuals in the insurance market is no greater (and arguably less) than those in the chemical or electrical engineering industry. Nor is it clear that Mr Taylor's amendment would anyway do much to promote the interests of Lloyd's and of the City of London. The sums involved may be significant for the individuals concerned, but they are scarcely of a size to influence the ability of Lloyd's to attract or retain capital.

There may in due course be a case for a more general review of Lloyd's tax status on the basis of the findings of Lloyd's own task force. For the task force will clearly have to consider the relevance of unlimited liability in today's market, given that the competitive advantage that it used to bestow has been eroded by the influx of undercapitalised names in the 1980s and the litigious climate that now prevails at Lloyd's partly as a result. Some of the more radical solutions, such as permitting corporate membership, might well provide a justification for specific tax legislation.

There may also be a case, given Lloyd's own ill-judged decision to reduce the capital requirements for membership in the 1980s and its mixed regulatory record, for some sharing of losses around the market in cases of distress. The old notion of risking individual wealth for individual gain does not square with the present realities at Lloyd's.

But there is no case for having the taxpayer shoulder a bigger share of the losses of names. The chancellor should not give way to such blatant special pleading from one of parliament's more powerful lobbies.

The trouble with Airbus

THE US AND Europe have been squabbling for more than five years over subsidies to the Airbus programme. The dispute will only get worse, unless the two sides move beyond mutual recrimination and start serious discussions on a basis for fair international competition in commercial aircraft sales. Substantial changes in government policies and industry practices are urgently needed – above all in Europe.

Washington recently took the first steps towards filing a fresh complaint against Airbus subsidies in the General Agreement on Tariffs and Trade. Its action appears intended partly to pressure the European Community into making wider trade concessions in the Uruguay Round and partly to respond to allegations by American airframe manufacturers that Airbus uses government support to finance large loans to US airline customers.

There are also suspicions in Europe that the US is out to frustrate longer-term Airbus plans to develop a 600-seater jumbo aircraft, which would compete in an immensely profitable market long monopolised by Boeing's 747. There may be truth in this. After a succession of defeats in industries it once dominated, the US is undoubtedly under strong domestic pressure to fend off challenges in one of the few sectors in which it still enjoys clear world leadership.

The dispute over subsidies should not be allowed to become a pretext for suppressing international competition. Yet European governments' indulgence towards Airbus hands Washington that pretext on a plate. By keeping the venture's finances secret and resisting US demands for a 25 per cent Gatt limit on launch aid for new airliner projects, they positively invite accusations of anti-competitive behaviour.

Reform overdue

Airbus says it is now making profits and operating increasingly on a commercial basis. Such claims are impossible to verify. The venture publishes no accounts and has only a hazy notion of its costs, while its unwieldy and fragmented structure rewards inefficiency. Reform is long overdue. The financing of Airbus should be made transparent and the enterprise should be exposed to market disciplines. That can best be achieved by turning it into a public limited company under a strong, independent management. Shareholdings in Airbus, currently limited to the four national aerospace companies which are also its main contractors, should be expanded to include investors more committed to commercial performance.

Competition powers

In addition, the European Commission should overcome its conspicuous reluctance to use its competition powers to control national support for European aerospace companies. Obvious subjects of investigation are the demand by Daimler Benz of Germany for launch aid for a regional aircraft project and the opaque financial relationships between governments and nationalised companies, such as France's Aérospatiale. In the interests of fair competition, it is as important to curb subsidy races between rival European producers as to prevent back-door handouts to Airbus.

The US, for its part, needs to shed more light on government support for its aerospace industry. Many civil projects undertaken by American producers clearly benefit, indirectly at least, from government-funded defence programmes. Evaluating such spin-offs is a complex task, because in most companies both activities inter-act closely. But that only strengthens the arguments for fuller disclosure.

Given the mounting cost of developing new commercial aircraft, it is unrealistic to suppose that subsidies will ever be completely eliminated from the industry. The objective should be to ensure they are transparent and to keep them within internationally agreed limits. It will not be achieved while European governments continue to treat Airbus as a weakling. The venture is more than 20 years old; its products have proved themselves in the market – as the vigour of the US offensive implicitly recognises. There is no excuse for delaying any longer the transformation of Airbus into a commercial enterprise.

David Gardner on Spain's push to reallocate EC funds

Southern discomfort

Spain, like the UK a decade ago, is banging the European Community's table about money. Unlike the parochial British demand for a tax rebate from Brussels, the Spanish are saying that the construction of European union – to which they are committed – demands big transfers of Community wealth from the north and centre to the south and periphery. And, they are slightly more than intimating, their assent to a more integrated EC depends on this demand being met.

Spain currently gets about a quarter of the EC's Structural Funds, the $75bn lifeline to help the Community's backward and industrially depressed regions get a toehold in the single market. The funds were doubled by EC heads of government at a special summit in 1988, in large part to sell the "1992 programme" to the Community's poorer members. But as ambitions have moved towards economic and monetary union (Emu) and political union, Spain has emerged as the leader of the EC "south" to demand much more.

Madrid wants not only a big increase in the Structural Funds, but also a new, equalising budgetary fund, an overhaul and expansion of the EC budget, and changes to common policies to redirect spending southwards. What it has in mind is an EC version of Germany's *Finanzausgleich* – which reallocates money from rich to poor *Länder*.

Spanish officials maintain that a future single European currency, and its attendant monetary and fiscal discipline, will lock the poorer member states into the bottom of the EC development league – unless the Community makes a fiscal effort to help them catch up. They further insist that only such an effort will persuade them to endorse changes to the Treaty of Rome now being negotiated, which require the unanimity of the 12.

EC BUDGET SHARES

	Contributions	Total expenditure (Agriculture budget)
	Million Ecu, 1989	
Germany	11,110	4,580 (3,700)
France	8,623	5,677 (4,606)
Italy	7,606	6,177 (4,506)
UK	6,568	3,214 (1,797)
Spain	3,575	3,544 (1,860)
Netherlands	2,700	3,830 (3,492)
Belgium	1,807	683 (546)
Denmark	871	1,046 (977)
Greece	566	2,565 (1,701)
Portugal	458	946 (174)
Ireland	371	1,712 (1,072)
Luxembourg	73	8 (2)
*Unattributable**		10,348 (3)
EC 12	44,329	44,329 (24,403)

* Includes overseas aid. Source: EC Court of Auditors

HOW THE POORER EC STATES COMPARE

Annual growth rate (%)	GDP 1986	87	88	89	90	Population 1986-90	GDP/head* 1986	1990
Greece	0.8	-0.1	4.0	2.9	1.6	0.3	56	53
Spain	3.3	5.5	5.0	4.9	3.8	0.4	72	77
Ireland	-0.3	4.9	3.7	5.7	4.6	0.1	63	65
Portugal	4.1	5.3	3.9	5.4	4.0	0.3	53	56
Total	2.9	4.8	4.7	4.8	3.6	0.3	66	69
Other EC states	2.6	2.8	3.7	3.2	2.9	0.3	108	107
EC total	2.6	2.9	3.8	3.4	3.0	0.3	100	100

* EC total = 100. Source: European Commission

Spain's northern partners say Madrid risks bringing down the already delicately poised treaty talks. A row over money, on this view, is the last thing the EC needs now. As one negotiator put it: "The Spaniards want solutions to problems outside the brief of the IGCs," the twin inter-governmental conferences from which Emu and political union are straining to emerge.

Mr Pedro Perez, Spain's deputy economy minister, says there had been wide agreement at the onset that if poorer countries were to surrender control of their currencies under Emu, then "a policy based on the balance of payments has to be replaced by a new balancing item" – in other words, fiscal transfers.

"We don't want these instruments indefinitely, only until the playing field is more or less level," Mr Perez says.

Mr Antonio Zabalza, the deputy treasury minister, says that Emu "won't work with imbalances of the kind we have now". As real wages in the EC converge, Spain says only bigger transfers can offset the competitive loss of the poorer countries. The Spaniards also fear competition for investment from the low-wage east Europeans, and more developed central and Nordic economies, which if they eventually join the EC will tilt it northwards.

Last month, Spain snubbed an attempt at compromise brokered by the Commission and the present Luxembourg presidency of the EC. It hardened up its ideas and re-presented them in treaty form. The three central demands are for:

● An equalising budgetary fund, or "inter-state compensation fund" to invest in "physical and human capital" in those member states whose gross domestic product per capita is below 90 per cent of the EC average;

● A progressive taxation system for the EC budget – which Spain thinks should be at least doubled – with contributions by member states measured by their "relative prosperity";

● A change in policy for aid to backward regions, which would match member governments' current obligations to contribute to the financing of EC-backed projects to their "financial capacity".

Unlike its poorer colleagues – Ireland, Portugal and Greece – Spain gets little out of the EC budget in net terms. In 1989 it put in Ecu3.6bn ($4.3bn) and got back Ecu3.5bn. Next year, after the transition terms Spain negotiated on entry to the EC run out, Madrid fears it will become a net contributor again.

Spain also feels penalised by regressive current mechanisms for supplying the EC budget, more than half financed out of member states' value-added tax receipts.

Finally, Spain does badly out of EC common policies. It finances 8 per cent of the research and development budget but gets back only 5 per cent of the spending, precisely because its research base is low. About 80 per cent of the $40bn Common Agricultural Policy goes to 20 per cent of farmers in the north and centre of the Community.

So far Spain's demands have elicited a distinctly muted response even from the poorer EC member states. Only Ireland has backed Spain's proposal for an equalising budgetary fund and it now appears to be reconsidering whether the IGCs are the opportune forum to tackle budgetary questions. "There was no applause from the other beneficiaries" when Spain last pressed its case in mid-May, one EC diplomat remarks drily.

The Commission is, meanwhile, reiterating its compromise. This foresees: a rise of about 50 per cent in the Structural Funds after the current budget runs out in 1993; the possibility of a new "shock-absorber" fund for contingencies like sharp oil price rises, which penalise the energy-inefficient south; and broader eligibility for EC regional funding, to include, for example, inner cities and release more money for rural development and education. Brussels officials believe that this package could achieve what Spain wants.

But do the Structural Funds work? And has Spain done well out of them?

Last year 2,300 Spanish projects were presented for EC aid. Just under half got it, and total aided investment reached Pta400bn ($3.8bn), creating 40,000 jobs.

Mr Perez acknowledges that the Funds have helped eliminate the worst bottlenecks in roads and telecommunications. "In 10 years prior to entry spending on infrastructure covered only the maintenance of a backward system. Now, anyone who moves around Spain can see the use to which these funds have been put. They have enabled us to go faster."

But "they are not a panacea", cautions Mr Eneko Landaburu, the Spanish Basque director-general of regional policy in Brussels. His office has acknowledged in a recent study that even after a period of sustained economic growth, catching up is a long process.

The four poorer EC members grew on average 1.2 percentage points a year faster than their partners in 1986-90. But in terms of GDP per capita, they moved only from 66 per cent of the EC average to 69 per cent. Spain did best (see table), moving from 72 to 77 per cent – but at the cost of a widening balance of payments deficit. The Commission concluded that only if the four sustained the growth differential of the late 1980s over the next two decades could they reach a GDP per head of 90 per cent of the EC average.

Mr Bruce Millan, commissioner for regional policy, is to present a review of the Funds later this year. In the meantime, one of his senior aides admits, there is little evidence that they are closing the gap. "But they send an important signal to the business and investing community, that things are not standing still, and that it may be possible to seek out comparative advantage in unpromising regions."

He also acknowledges what the Spaniards have already discovered, that a spur added to the road network in, say, Madrid, transforms more people's lives more than a rural road used by tractors and the village postman.

The Structural Funds allow Spain to spread its regional spending more evenly. The Spanish authorities, socialist in name, nationalist and competitive in outlook, are able to dedicate strategic sums to strengthening already developed areas for sharper European competition. Spanish delegates in Brussels display this competitive animus almost daily, demanding that money be attached to EC decisions, particularly on the environment, social and transport policy, so that the "south" can afford to implement them.

Spain is unlikely to gets its equalising budgetary fund from the IGCs. But it "will need a form of words", as Mr Millan puts it, to build a convincing bridge from the conferences to a new EC budget summit which should be held next year. Mr Jacques Delors, president of the Commission, mooted such a summit at the end of last year. Spain's hard line now is putting an ever higher price tag on it.

A capital question

Should Bonn or Berlin be the German seat of government? David Marsh investigates

German parliamentarians have never faced such a test. When the Bundestag attempts to decide on Thursday whether Bonn or Berlin should be united Germany's seat of government, politicians will be voting not only about the fate of buildings, jobs and billions of D-Marks – but also about two alternative views of history.

Much more than simply providing a home for ministers and bureaucrats, a capital city goes a long way towards determining the face a country shows to the world. Towards the end of a century in which Germanic instability has brought extraordinary convulsions for them and their neighbours, the Germans, hardly surprisingly, are divided about what that face should be.

One option is firmly implanted in Bonn, a small and orderly town, now encased in a concrete mesh of motorway. The Unity Treaty which came into force on October 3 last year made Berlin the formal capital again, but left the government firmly in Bonn.

For 40 post-war years, Bonn's provincial familiarity provided comforting proof that Germany's horizons would be as limited as its geo-political options. It appeared the most apt possible symbol for the historical backwater into which the Germans in east and west, through war, division and Adolf Hitler, had been consigned.

The association almost certainly bestows upon the town an undue share of the honours for west Germany's success. Yet, for Germans (especially those born after 1945), and for the world outside, Bonn stands for all the new and positive currents of German experience: western integration, federalism, modesty and a definite disavowal of big-power politics.

Berlin's stones and streets tell a very different story from Bonn's. It is a place of ostentation, ambition and temptation, where power has been concentrated, misused and ultimately broken. As an additional symbolic handicap, the eastern half of the city, much of it crumbling, carries the legacy of four decades of post-1945 communist misrule.

Berlin was not only the command centre of Prussia, the Kaisers and the Third Reich; Walter Ulbricht and Erich Honecker, the unlamented leaders of East Germany, reigned here too. Precisely because of these memories, and the post-1945 experience, none of the backers of Berlin – led by President Richard von Weizsäcker – wants to undo federalism, raise triumphal arches and put Germany on the road to megalomania again.

What distinguishes Berlin from Bonn supporters is that the former believe that there is no historical inevitability which would make a Germany run from Berlin likely to repeat the mistakes of the past. Four decades of Bonn-based stability have been so successful, the pro-Berlin faction claims, that moving the political centre to Berlin can be accommodated without risk. At the bottom of their argument is undoubtedly the view that Germany should no longer be deprived by its 20th-century history of having as fully fledged a capital as Britain, France, Italy or Spain.

The Berlin lobbyists argue that history, far from opposing them, is actually on their side. Did not two generations of West German politicians promise that Bonn was the provisional capital, and that the government would return to Berlin after re-unification? Would not political decision-making in Berlin be more likely to make a success of unity, by easing east Germans' worries about being second-class citizens? And would not Berlin be better suited than Bonn to ensure that Germany plays an eastward-, as well as a westward-looking role in the new integrated Europe?

For each of these arguments, of course, there are weighty counter-arguments. Most western *Länder* (states) worry about further migration eastwards of already tight financial resources. Many ordinary west Germans fear that a shift to Berlin would be viewed abroad as a step away from Nato and the European Community.

Given Berlin's powerful reputation for unrest, and the inflammable social tinder piled up in both east and west of the city, there is considerable concern about the potential for political disorder and terrorist attacks. The letter-bomb murder last week of a leading Berlin official handling land sales in the city has heightened sensitivity further.

Above all because of the costs involved, as well as a feeling that Germany cannot afford another big political experiment at a time of great upheaval, a majority of Bundestag deputies is thought to be in favour of Bonn.

In view of the passions on both sides, the Bundestag will probably decide to split capital city functions, adopting one of the compromise formulae now under discussion in Bonn. It is doubtful whether a compromise – such as keeping the Bundestag in Bonn, and exporting the Bundesrat (upper house) to the Spree – would prove feasible. But, as it copes with re-unification, Germany has a natural interest in keeping open its historical and political options. The door to Berlin will not be fully opened – but it will be left ajar.

OBSERVER

Expensive 'miracle'

■ Far from panicking at the prospect of megabuck investments in petrol engines being made worthless overnight, the motor industry appears underwhelmed by reports of the 1p-a-mile car that runs on water.

Dr Roger Billings – president of Energy Innovations of Kansas City, and founder of the grandiosely-named American Academy of Science at nearby Independence, Missouri – has excited some newspapers with a prototype vehicle powered by a fuel cell which emits only water vapour from its "exhaust".

Motor manufacturers are scarcely surprised by the news. Not only are the processes involved in such cells already well known, but Mercedes for one is well advanced with its own version.

Water is transformed by simple electrolysis into hydrogen and oxygen, the explosive hydrogen being stored safely within metallic hydrides. When the cell is activated the process is reversed, electricity being regenerated to power an electric motor driving the car.

But there remain certain problems, not least how the electricity for the electrolysis could be produced cheaply enough to make the vehicle economic. Moreover, while hydrogen is a high energy gas, it is very light. The energy equivalent of one litre of petrol is 1.5 cubic meters of hydrogen compressed at 200 atmospheres - a big storage problem.

"Put it this way", said a Ford spokesman. "We're not exactly rushing to buy shares in Anglian Water".

Payneless

■ There are at least 10 Brian Smiths in Who's Who. The one chosen to replace Sir Norman Payne as chairman of BAA is yet another career ICI man who has proved he can make it in the outside world.

After taking early retirement in 1985, Dr Smith sorted out Metal Box but quickly found that its packaging business was not big enough to stand on its own. Having orchestrated a rather adventurous merger with the French Carnaud group, he worked himself out of a job and for the last couple of years has been picking up a string of non-executive directorships with troubled firms like Berisford and Davy Corporation.

A friendly man with no side, he has a big advantage in being almost the exact opposite of Payne who has dominated BAA's affairs for the last 20 years. Under Payne, BAA has established London as Europe's main airline hub. But some big airlines feel that, as a former nationalised industry chairman, he has not always been as sensitive as he should be to their needs.

With Sir John Egan, ex-Jaguar, providing the marketing flair in the chief executive's seat, Smith's job will be to ensure BAA makes a timely decision on the new terminal five at Heathrow.

A good choice.

Artistic crime

■ The French have come up trumps again, with a juicy scandal which tarnishes the reputation of the great and the good. The scandal itself seems a fairly routine affair, of alleged confidence tricksterting, property corruption and fraudulent conversion. What gives it class is the identity of the victim of these malversions: the Institut de France.

Everyone has heard of the Academie Française, the literary hall of fame founded by Louis XIII with a fixed membership of 40 "immortals". Well, this is just one of five academies – literary, artistic, political and scientific and Française" which were gath-

"Do not ask for whom the Lutine Bell tolls...."

ered together during the French Revolution, with the Institut as their parent body.

It appears that a certain Frédéric Gérard had wormed his way into the confidence of Edouard Bonnefous, the 83-year-old Chancellor of the Institut, and had employed his talents to milk the place in a number of unseemly ways. Gérard and three accomplices have been charged with diversion of public funds and corruption.

The Institut turns out to own some very distinguished property, starting with the château de Chantilly, Monet's house at Giverny, and the Jacquemart-André museum of Renaissance art.

New handles

■ The new batch of working Labour peers seem to have invested more time than their Tory counterparts in agonising over the correctness of their title. Clive Hollick, the socialist boss of MAI, for example, refuses to break the strict club rules and reveal his choice of handle until his letters patent have been gazetted.

Meghnad Desai, the left-wing economics professor and the first of his bunch out of the gate, has decided to call himself Lord Desai of St Clement Danes, after the church closest to his workplace – the London School of Economics.

St Clement Danes also happens to be the RAF church and being a good non-violent chap, Desai was a little worried about the military connection. Indeed, there were siren voices suggesting that since there is a fair chance the LSE will move lock, stock and barrel to County Hall, he might think of calling himself Lord Desai of County Hall.

However, this might have been considered a bit of lèse-majesté since the LSE's director John Ashworth is behind the planned move, and probably would not mind appropriating the title for himself if and when he gets his come-uppance.

Trade stats

■ Little known fact. If Peter Lilley can survive as Britain's Trade and Industry Secretary until the Tory Party conference in October, then he will be one of the longest serving men in the job. The average tenure of his six predecessors was 14½ months and Leon Brittan and Cecil Parkinson distinguished themselves by serving for only five months apiece.

GBH

■ Spotting in the road the battered body of a man who had fallen among thieves, the Good Samaritan was pleased to see a local social worker already bending over him. But as he approached, the bending figure straightened and ran towards town.

"Is he hurt bad?," the Samaritan shouted.

"Yes," replied the social worker. "I must find the people who did it – they need help."

A war that is far from being won

Robert Graham on problems facing the international effort to stamp out the cocaine trade

A few months ago, on a hunch, a customs officer at Quito airport decided to question four young nuns waiting to board a flight to Madrid. When they were strip-searched, the nuns turned out to be small-time Colombian drugs couriers with a total of 10 kg of high-grade cocaine strapped to their legs. They had been promised $6,200 (£3,500) for every kilogram handed over in Spain.

Catching those couriers was a welcome, albeit minor, success for the Ecuadorean authorities. Yet the incident also illustrates of the continuing difficulties facing the international community's attempts to stamp out the illicit trade in cocaine.

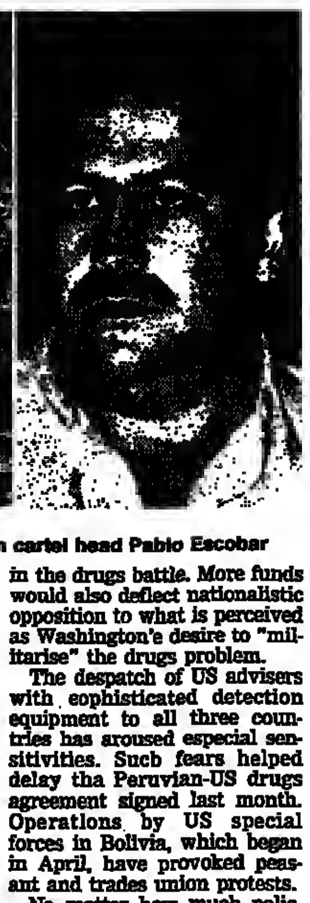
The Colombian traffickers seem perpetually to be one step ahead of the authorities. The financial rewards from the multi-billion-dollar cocaine trade still far outweigh the risks. As a result cocaine production, hard hit by police action in Colombia during 1989, has since spread to Argentina, Bolivia, Brazil and Venezuela. During the past nine months it has also recovered in Colombia itself.

On the face of it, such developments cast a cruel light on the campaign against the narcotics trade that the west has been pursuing with renewed vigour since President George Bush declared war on the Latin American cocaine traffickers in September 1989. He dramatically increased the resources available to fight drugs and appointed a special drugs overlord with cabinet rank. Then, in April 1990, a ministerial drugs summit in London agreed to step up the fight against cocaine. What impact has all this activity had?

One effect has been to shift the emphasis of US aid to Latin America. During 1991-92 Washington's total aid to Latin America will increase 15 per cent to $1.4bn, while anti-drugs aid will grow 45 per cent to $250m.

There has also been a significant increase in tha size of cocaine seizures by the authorities worldwide. Last year 200 tonnes, nearly a quarter of estimated world production, was seized either in Colombia or en route to the US. Stricter control is being exercised over the export of "pre-cursor" chemicals like acetone essential for cocaine production; and there has been some success in co-ordinating policies to combat laundering of drugs profits – estimated by a Group of Seven task force to be running at $80bn a year.

Yet it is still not possible to say that the war is even beginning to be won. The drug barons retain sufficient financial resources to corrupt the highest of officials in the drug production and transit countries. Money-laundering has started to creep back into Panama, having been switched to Uruguay after US troops invaded in December 1989. In Colombia and Peru the drug chieftains etill subvert the state with their private armies and through alliances with local guerrilla movements.



Bogota's anti-aircraft guard against traffickers and, right, Medellin cartel head Pablo Escobar

Part of the prohlem, of course, lies in the sheer size of the financial rewards. But it is also arguable that western policymakers are still putting too much emphasis on curbing snpply in a market that is essentially demand-led. Of the US government's $10.2bn drugs budget, for instance, 70 per cent is spent on measures to reduce supply and only 30 per cent on curbing demand.

Last year's London drugs summit recognised the need to focus more on rednciug demand in the consumer countries. Yet this has been primarily reflected in tougher policing in the US, the principal consuming country where there are believed to be np to 10m cocaine users. In the past 18 months cocaine demand in the US, reckoned by the Drug Enforcement Administration to be about 80 tonnes a year, has begun to level off and high school use has declined. However, increased addiction is evident in inner-city ghettos. In Europe, especially Spain and Italy, the growth in cocaine use shows no sign of slowing.

On the supply side Washington now appears more willing to listen to the arguments of the Andean cocaine producers – Bolivia, Colombia and Peru. The latter insist that policing and military action to halt the traffickers has to be carried out in tandem with a serious attempt at crop substitution.

Until now the US has preferred to concentrate on hitting the traffickers and on pressing for crop eradication programmes rather than crop substitution, which would require a heavy financial commitment to wean the Andean nations off drugs. Bolivia, Colombia and Peru claim they would require at least $3bn a year for the foreseeable future to eliminate narcotics production. Impoverished Bolivia is the most dependent on the illicit trade: coca leaf production and the cocaine business contribute 20 per cent of its gross domestic prodnct, according to official estimates.

The Andean governments maintain that only substantially increased US aid flows will convince their citizens that they are not bearing a disproportionately large burden in the drugs battle. More funds would also deflect nationalistic opposition to what is perceived as Washington'e desire to "militarise" the drugs problem.

The despatch of US advisers with eophisticated detection equipment to all three countries has aroused especial sensitivities. Sucb fears helped delay tha Peruvian-US drugs agreement signed last month. Operations by US special forces in Bolivia, which began in April, have provoked peasant and trades union protests.

No matter how much policing is intensified, experieoce suggests the traffickers will find ways around lt. War on the drug barons in Colombia, responsible for over 80 per cent of all cocaine produced, has merely displaced the prodnction and distribution chain. Laboratories have shifted to Argentina, Brazil or Venezuela. Bolivia and Peru, instead of just producing the leaf or paste, are now involved in the whole production cycle. Export rootes are being opened via Brazil or Surinam.

Colombia demonstrates the problems inherent in a policy that relies disproportionately on policing. The state simply lacks the stamina to wage an indefinite high-intensity war against well-organised, ruthless and fabulously wealthy traffickers. The political, economic and social costs are too high and cannot be sustained when the prospects of reducing consumer demand are so distaot. (Experts believe US demand is unlikely to be cut by more than 20 per cent between now and tbe mid-1990s).

Former President Virgilio Barco achieved impressive initial results when he began his concerted assault on the drugs barons in August 1989 using the military and police to the full. Within a month Colombian cocaine exports fell 75 per cent, according to US narcotics officials. Tbe relative lull lasted for several months as stocks were drawn down in the US and Europe.

But gradually trade picked up. The traffickers, headed by the powerful Medellin cartel, the most powerful drugs group responsible for 60 per cent of cocaioe entering the US, fought back in a vicious campaign of assassinations and car bombings against the police and local officials in the main cities.

Last August Mr Cesar Gaviria became president, convinced his predecessor's US-backed policy could not be sustained. He adopted a carrot and stick approacb: lowering the level of police and army action while offering generous incentives to the traffickers to hand themselves in. The traffickers now need only confess to a single crime even if they are suspected of several, will be housed in "five-star" prisons and have had their main fear removed – that of extradition to the US.

Three prominent members of the Medellin cartel, the Ochoa brothers, have handed themselves in already. Even Pablo Escobar, Colombia's most wanted criminal and unofficial head of the cartel, is said to be ready to surrender.

Colombia's revised policy has brought a sense of greater epparent tranqnility to the country; but President Gaviria has come dangerously close to appeasing the drugs barons. Indeed, foreign drug enforcement officials complain in private thet Mr Gaviria is undoing the work of bls predecessors. Cocaine production, they complain, is running well *obove* the levels of August 1989. According to US officials, production this year could well exceed 500 tonnes.

President Gaviria may argue that he has no alternative to his current policy. Bnt lt underlines in the clearest possible terms the limitations to tha current international strategy against cocaine. So far, the world seems to have been grappling with the symptoms of the drugs menace, not the underlying causes.

Joe Rogaly

Hanson for Labour

The most satisfactory outcome of a Hanson bid for ICI would run as follows: Lord Hanson bids bigb, but loses. A shaken ICI restructures its management, divests itself of the businesses it runs least well and emerges slimmer and stronger than it is today.

That is roughly what happened wheo Sir James Goldsmith led a trio of raiders for BAT Industries two years ago. Sir James & co eerved the interests of capitalism by demonstrating thet the market works; the question today is whether Lord Hanson is in a mood to risk a similar sacrifice of reputation. If be does, and loses, many in the City would be mightily eotertained, although their delight may be mltigated to tbe extent of their own stakes in Hanson. If he wins – well, that's show business.

ICI shareholders apart, the principal beneficiary of a bid would be the Labour party. Its industry spokesman, Mr Gordon Brown, is aware that this could become a front-page TV prime time news sizzler. I suspect that Mr Peter Lilley, the trade and industry secretary, is of the opinion that while Mr Brown is basking in the luxury of opposition he himself will be trapped by the responsibilities of office. The public will be against tbe predator, but Mr Lilley will be immobilised – partly by tbe state of tbe law and partly by his own ideological stance.

I will come to the legal technicalities in a moment, but first the ideology. It was nicely expressed by Mr Lilley in one of his better parliamentary performances last week. Mr Brown, said Mr Lilley, criticised the government for its "hands-off" policy for industry. By contrast he – that is, Mr Brown – would operate a hands-on policy, "but so did the Boston strangler". Since Mr Brown and the shadow cbancellor, Mr John Smith, have patented a happy line in parliamentary wit lt is encouraging to see the much-panned Mr Lilley making good use of his speech-writer. Mr Brown, said be, "is mired in gloom; he positively radiates gloom. He can brighten a room just by leaving it". Not that Mr Brown disappointed his fans: be did a long lead-in on Mr Norman Lamont's celebrated sighting of "faint stirrings" in the economy, just to support the punch-line, "this is a textbook case of an otherwise sane man hallucinating a whole economic recovery..."

But back to Mr Lilley. Those strangling hands may be found to have settled around his own neck. He can bardly talk of government intervention as the work of the Boston strangler and at the same time tell the voters what I suspect most of them want to hear – that he disapproves of a known financial predator taking control of e highly-regarded manufacturing company, a national asset. This is oot to say that he *should* iotervene: purists insist that it is for the market, not the government, to sort Lord Hanson's initiative out. But that is not the political point.

ICI shareholders apart, the principal beneficiary of a bid would be the Labour party

Mr Lilley's excuse could be tbe European Community merger regulations, which have been in force since last September. "Like it or oot," he said in the Commons, "any bid where the combined turnover exceeds Ecu5bn (£3.49bn) is outside British jurisdiction. It would fall to be considered by the European Commission." That rather spoils his argument tbat if he commented now and a bid did come before Britisb authorities the courts might rule that he has "fettered his discretion". The technicalities are, bowever, daunting. The EC rules do allow for an exit to national jurisdictions, but the relevant clauses are tightly drawn, largely at Mrs Margaret Thatcher's behest. In any case, Mr Lilley has shown no inclination to wrest tbe matter away from Sir Leon Brittan, the EC commissioner for competition. Even if he did Britain's Monopolies and Mergers Commission (MMC) would be likely to rule that the bid could go ahead, on the ground that competition being the sole criterioo there is nothing much to say.

Enter Mr Gordon Brown, far from gloomy. Never mind the rights and wrongs; his is the easier song to sing. It would be unthinkable in other European countries, he croons, for the largest manufacturer and second largest exporter, witb such a good record of investment in researcb, to be at risk from a company witb ooe of the worst records for R & D. So tbe familiar tune goes oo ... 100,000 jobs involved ... ministers happy to leave British manufacturing industry vulnerable ... etc. Mr Brown hes produced a list of 30 Conservative seats in whicb substantial oumbers of ICI employees live. In 15 of them the majorities are under 7,000. There are, to borrow Mr Lamont's evocative phrase, "faint stirrings" of concern on tbe Conservative benches.

But what would Mr Brown do? Largely the same as Mr Michael Heseltine if *he* was industry minister. Let me not malign the latter: he bas said nothing of this to me. It is just that my recollection of tbe kind of thing he used to say before he re-entered the government suggests tbat be would draw up a list of options. First, be would try to get tbrough one of tbose European Community exit clauses. If he did, he might try to change the criteria for Britisb MMC decisions, to include notions of the national interest, research and development, exports, and the like. If he failed, be might lobby to have the European rules changed. Hanson might still emerge victorious, but the government would be seen to have tried.

All this is the purest fantasy, but it does serve to indicate the level of political damage that could be done to the Tories by a strongly contested Hanson bid. It is possible tbat a combination of public pressuree and City murmurings will persuade Lord Hanson thet a bid is not worth making; failing that institutional shareholders are unlikely to line up behind him at a less than absurd price. He should end up satisfying ICI shareholders, or Labour or both.

LETTERS

Equivocation in de-regulation of the airwaves

From Mr Robb Eden.

Sir, Raymond Snoddy's report, "Shetland pirate radio goes legitimate" (June 11), highlights the equivocal standards that both the Conservative government and the Radio Authority have set in tackling de-regulation of the airwaves.

Allowing any land-based pirate operator to continue broadcasting for 3½ years is astonishing, but then to award it a licence surely makes a mockery of the whole system, post the Broadcast Bill.

As an ex-offshore broadcaster, having worked with Ian Anderson on Radio's Northsea and Caroline, I applaud Ian's tenacity, fighting spirit and tireless effort in forcing the Radio Authority to advertise the Shetland Islands' licence but I cannot condone the confused deliberation by the Authority on this and other issues.

Take the case of Hanson which, with Radio Clyde, is a leading shareholder in both London's Melody Radio and UK-FM, one of the applicants for the INR FM licence.

If UK-FM is awarded a national licence the authority has suggested that it might allow Melody to change its Promise of Performance (change music policy), whereas any deviation by any other radio station has been met with immediate rebuttal.

It seems, in this case, that the authority will allow Melody to alter its format based on the fact that its two main shareholders will be offering a similar format nation-wide.

If the authority does award the national licence to UK-FM then perhaps it should also consider re-advertising Melody's London frequency.

This would not only benefit the dozens of London hopefuls – they will get no other chance to apply for a licence before 1996 – but also show broadcasters and investors in the industry that the authority plans to carry out the business of regulation in a fair and unbiased fashion.

Robb Eden,
*managing director,
Montrext Companies (UK),
One St Paul's Court,
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Glos GL56 0ST*

A minimum wage would hit investment and jobs in the real world

From Prof Douglas McWilliams.

Sir, Lord Desai is right to draw attention (Letters, June 6) to macro-economic influences that have contributed to the high level of unemployment in France. But he is wrong to argue that "minimum wages are incidental to this outcome".

Contrary to Mr Tony Blair's assertion (Letters, June 12), the latest OECD report points out that the composition of French unemployment shows relatively high levels of unemployment of youths and females – precisely the groups that might be expected to lose jobs as a result of minimum wages.

Lord Desai goes on to compound his error by asserting that "high wages boost productivity by encouraging investment". This may work in theory but in the real world excessive wages squeeze profits and reduce investment and hence lead to lower productivity. Those who can remember Britain in the 1970s will have noticed that the consequences of excessive wages and low productivity were high inflation, economic stagnation and industrial anarchy.

It appears from Mr Blair's letter that the Labour party is using Lord Desai as its guru for wages policy. Surely the experience of the economic chaos of the 1970s has already discredited this approach?

Douglas McWilliams,
*chief economic adviser,
CBI,
Centre Point,
103 New Oxford Street
London WC1*

From Mr David Franklin.

Sir, your leader (June 3) on Labour's labour market was an accurate assessment of fact. Mr Tony Blair (Letters, June 12) voices his objections but does not appear to understand that the reason for the fall in union membership is proof of members not wishing to be represented by a union. If it is an employee's "right" to be represented by a union, it is equally his "right" not to be represented by one.

Mr Blair quotes an OECD report on France which claims that it found no impact on unemployment resulting from introduction of a minimum wage, but he fails to add that unemployment in France is higher than in the UK.

Whether the result of introducing a minimum wage will result in 2m unemployed or 0.5m is hypothetical but higher wages for identical work or productivity will not keep the same number of people in identical jobs and to say otherwise is absurdly unrealistic.

No better example of the *naiveté* of this view was demonstrated in the House of Commons on June 11 when Mr Joe Ashton was supporting Mr Blair on the £3.40 minimum wage topic. He said: "McDonalds will be selling as many hamburgers after the minimum wage as they are now. The only difference will be that McDonalds employees will get a damn good pay rise and jobs will be exactly the same."

If this were to happen, either the price of the hamburger will rise or fewer staff will be serving them. And if the shadow chancellor subscribes to Mr Blair's and Mr Ashton's views, the next time John Smith is wined and dined in City boardrooms, his hosts should ask him if he agrees with them. If he doesn't, he should say so.

David Franklin,
8 Wincott Street, SE11

Fax service
LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Integration by other rules

From Dr A J H Latham.

Sir, In your very sensible editorial on the North American free trade agreement ("Trading blocs and the Gatt", June 14) I was particularly struck by the concluding point that perhaps Nafta might be extended in the future to include any country willing to abide by its rules. Would this not be a sensible alternative objective for Britain to aim at, should the political costs of European integration prove to high a price to pay?

A J H Latham,
*senior lecturer
in international economics,
University College of Swansea,
Singleton Park,
Swansea*

Slave trade reparations

From Miss Joan Newman.

Sir, Has Mr Abiola (Letters, June 14) reflected on the role of the Arab slave traders in providing slaves to be shipped overseas? Since a number of Arab countries are, by an accident of geology (their oil), now extremely rich, could they not be asked, either as reparations or humanitarian aid, to fund food relief for Africa?

Of course, the west should help also, and I hope this might be by assisting appropriate economic development and population control.

Joan Newman,
*Keil House,
Ardgour,
by Fort William,
Scotland*

Competition in supply of energy

From Mr Alain Mongon.

Sir, The European Confederation of Industrial Energy Consumers (IFIEC), which represents industrial users of power and gas and also industries which generate their own power, is very concerned that safe, secure supplies of energy be ensured to these industries at internationally competitive prices. Indeed, much employment and economic growth depends upon this being achieved.

In our experience, we take the view that the existence of consumer choice is more likely to create the right incentives for efficiency, and we believe that this can apply to the generation of electricity and to the supply of gas.

We thereby imply no criticism of the current suppliers of the industrial companies affiliated to our member federations. But we straightforwardly believe that consumers should have the option of being able to purchase, if they wish to, from outside their local region.

We therefore strongly support the introduction of third party access to the electricity and gas networks of Europe.

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FINANCIAL TIMES
Tuesday June 18 1991

Pursuing more open markets in open skies

Peter Riddell meets the US transport chief who will be having aviation talks in Europe

MR SAMUEL Skinner, US transportation secretary, who will arrive in Europe this morning for three days of talks on the future of international aviation, is not a politician to talk in code.

His message – delivered with the bluntness and distinctive nasal twang of his native Chicago – will be the urgent need to press on with liberalisation of airline routes across, and on both sides of, the Atlantic.

In 2¼ years in office, Mr Skinner has built a reputation as one of the most effective members of President George Bush's domestic team, tackling the Eastern Airlines strike and the Exxon oil spill in Alaska, as well as disasters such as the San Francisco earthquake. He is widely tipped to rise further in the administration.

Talking in his Washington office, Mr Skinner stressed the need to build on the agreement reached in March after much hard bargaining between the US and Britain.

This let United Airlines take over Pan Am's routes to Heathrow Airport in London and American Airlines to take over some of TWA's UK traffic. It also granted airlines from Britain greater access to the US.

Mr Skinner is "optimistic that there are a number of countries, including members of the European Community, who want a more liberalised regime, who want to participate in the US market, and who want to have a greater investment io, and a closer

Samuel Skinner: "optimistic" on further liberalisation

relationship with, US flag-carriers."

By tradition, trans-Atlantic routes and access have been negotiated on a bilateral basis, which Mr Skinner finds "a little antiquated, though I can work within that". He is "not so sure there is a whole lot left in negotiations with the UK, other than, say, the general liberalised market. While we would like to have more carriers into Heathrow, that's probably not realistic either".

Mr Skinner says he has always assumed that European countries eventually "will work something out where the EC will be negotiating as one unit".

He defines his goal of liberalisation as "open markets on both sides of the aisle, with everybody having the opportunity to participate fairly, with no restrictions whatsoever. Ultimate liberalisation would also include extensive foreign ownership relations between US and foreign flag-carriers, subject to national defence restrictions. That is, in general, the way we do business in a number of other areas".

This year, Mr Skinner has reinterpreted existing controls on overseas investment so that foreign groups may own up to 49 per cent of the equity of a US airline, though they are limited by statute to a maximum 25 per cent of voting shares, and no more than a third of directors and officers may be foreign citizens. Several foreign airlines are pressing for an increase in that limit, and Mr Skinner said he might take a position soon on the issue, which is being taken up in Congress.

Congress, he believes, "is coming round to understand why we have to liberalise investment policy, why foreign capital is necessary if we are going to have competitive airlines". These proposals partly reflect Mr Skinner's view that the US industry is still convalescent. He believes many of the problems were caused by airlines borrowing too much money and leveraging their future.

"They fell into the enticing leveraged buy-out environment. The airline industry is so susceptible to changes in the economy that it is now obvious that it is more difficult to leverage transactions than in other industries. We have probably seen the last [Northwest Airlines] for a while.

"The overreaching [in the abortive] United case was pretty clear; the market determined it was inappropriate and, as a result, United Airlines is not in bankruptcy. There are some indications that if the deal had gone through, it might be in the same situation as all those other airlines that have over-leveraged themselves."

He believes several US airlines will work their way through their problems by renegotiating their debt and leases, and will survive.

He notes that some foreign flag-carriers serving the US have had to call on their governments for big subsidies. "I think that probably will encourage and hasten, with some exceptions, the move towards privatisation of those airlines. Having seen what has happened to British Airways, they will be able to recognise there are some advantages that they ought to move on."

An immediate problem is the state of business, which has produced record airline losses. Mr Skinner believes traffic is "picking up, but not as much as I would like. The problem is the yields (as a result of heavy discounting on fares). The load-factors are up, but the yields are not". It is, he admits, a great time to fly.

Attractive though the prices are, trans-Atlantic travel can still be a time-consuming marathon. The difficulty is not so much security as the long queues which face passengers arriving in the US.

Delays based on immigration are now "our biggest problem. The Immigration and Naturalisation Service has major problems [in part because of a budget squeeze]. The airlines feel very strongly on it", Mr Skinner says, promising an early meeting with the US carriers.

That cannot come too soon for those who have had to wait two or three hours, or sometimes even longer, to enter the US.

EC business hit by civil servants' strike

By **Andrew Hill** in Brussels and **David Buchan** in Luxembourg

EUROPEAN Community business was crippled and meetings on European political union disrupted yesterday as many of the EC institutions' 25,000 civil servants began a two-day strike in defence of their salaries.

A picket line of more than 1,000 strikers barracked EC foreign ministers as they arrived for a two-day meeting on political unioo in Luxembourg.

A trada union official said some European Commission departments in Brussels had shut down their computers and "aggressive pickets" had forced workers out of EC buildings. The strike had also affected Community institutions in Strasbourg and the EC's small researcb centre in Italy, he said.

Civil servants are striking for the first time since 1981, when a complex formula was introduced for setting EC staff salaries. They object to member states' attempts to replace the system, which expires on July 31 and is based on the average EC inflation rate.

The proposed system would be based on the inflation rate in the countries where EC officials work, notably Belgium, France and Luxembourg where inflation is comparatively low.

Unions representing the civil servants agreed last week to boycott all EC meetings yesterday and today, including

Picket line: civil servants demnnstrate outside the European Centre in Luxembourg

today's meetings in Luxembourg of the European Free Trade Association and EC foreign ministers.

They allowed the part of yesterday's foreign ministers' meeting devoted to discussing the pay formula to go ahead but the talks were inconclusive.

Although ministers were expected to continue their discussions last night, union officials said the strike would not be lifted today unless there was a breakthrough.

In Brussels, the European Commission, with 13,000 officials, was barely ticking over on a skeleton staff of 140 civil servants on a "requisition" list, who were obliged to turn up, and others who came in of their own accord.

Meetings in Luxembonrg were also disrupted because of separate action by Belgian customs officials who began a go-slow on the Belgium-Luxembourg border.

Bolivians protest over cocaine crackdown

By **Christina Lamb** in La Paz

BOLIVIAN peasants tried to mount a nationwide blockade of roads yesterday in protest against the government's decision to use the army in the fight against cocaine trafficking.

Union leaders in La Paz, the capital, said they hoped to block all main routes by nightfall and blamed a smaller-than-expected initial turnout of protesters on a "massive police operation".

In La Paz the blockades were impeding, not halting, traffic. Only in the metals mining centre of Potosi were any roads completely blocked.

President Jaime Paz Zamora agreed last month to accept 56 US military advisers to train the Bolivian army in anti-drug tactics, as part of a $15m US military aid package.

Many of the peasant farmers depend on coca leaf crops, from which cocaine is derived, to survive. They dismiss government assurances that the military will be sent only into the northern areas where the traffickers and processors operate, rather than the central Chapare region where 80 per cent of the coca leaf is grown.

Bolivia is the world's second largest producer of coca leaf after Peru. However, in the past five years, it has also become the world's second-largest prodncer of cocaine, after Colombia, and a main centre for trafficking to the US and Europe. President Paz agreed to the military involvement under US pressure, after an initially successful coca eradication campaign had begun to flag.

Many Bolivians fear, though, that army involvement will provoke violence. *Mr David Herrera*, a peasant union leader in the Chapare, said growers were forming armed defence committees to protect their crops.

The farmers' blockade was scheduled for last month but delayed after the government agreed to negotiate. No progress has been made, however, on 60 demands, chief of which are more funds for the Chapare region and a government decree to keep the army ont of the area.

Attempts on Snnday night by the interior minister failed to prevent union leaders going ahead with blockades yesterday but government threats to jail protesters seemed to deter many.

A war far from being won, Page 17

US renews efforts on Mideast peace talks

By **Linnel Barber** in Washington

THE US is preparing to step up pressure on Israel and Syria in order to break the stalemate over efforts to convene an international peace conference on the Middle East.

Mr James Baker, US secretary of state, is reported to have selected Mr Edward Djerejian, US ambassador to Syria and an experienced Arabist, to strengthen his small team of Middle East advisers.

If his nomination is confirmed by the Senate, Mr Djerejian, a former National Security Council official, would supersede Mr John Kelly, assistant secretary of state, who has not been prominent in the administration's efforts to bring Israel and Arab states to the negotiating table.

Israel and Syria are insisting on mutually unacceptable preconditions for attending a peace conference, thwarting President George Bush's hopes of capitalising on the Gulf war victory by the US and its allies to resolve the Palestinian issue and the Arab-Israeli conflict.

The White House was particularly upset by leaked reports of correspondence between Mr Bush and Mr Yitzhak Shamir, in which Israel's prime minister ruled out a UN role in the conference and insisted on Israel's right to veto proposed members of the Jordan-Palestinian negotiating team.

US officials described Mr Shamir's letter as an effort to use arguments over "modalities", such as the UN role, as a means to avoid discussion of the details of a future settlement.

However, policy-makers within the US administration are working intensively on the shape and timetable of a peace settlement, known as the "eod-game".

Mr Bush and Mr Baker are understood to have discussed some of these details during a strategy session at the White House last week.

Both men also discussed the next tactical moves for persuading Syria and Israel to attend a peace conference.

The president may issue invitations to all parties, hoping that this *would amount* to an offer which no-one could refuse. Mr Baker is considering s further trip to the Middle East to narrow differences.

Britain rejects EC treaty

Continued from Page 1

embourg has now rewritten the Treaty's preamble with federalist wording, which Mr Roland Dumas, the French foreign minister, and Mr Delors, the European Commission president, welcomed.

Clearly pleased to hsve struck a compromise with Mr *Delors* on the overall structure of the new treaty, Mr Jacqnes Poos, the Luxembourg foreign minister, claimed his plan now reflected "the dominant tendency" in the Community.

The foreign ministers also discussed:

- Reducing the present 17 Commissioners to 12.
- Giving the European Parliament the right of co-decision with the Council of Ministers but without squeezing the Council out.
- Giving the *European Court* of Justice the power to fine states for not complying with EC law.

Sterling under pressure

Continued from Page 1

confirmed that conditions in Britain's high streets remained as depressed as at the start of the recession, prompting calls for interest rate cuts.

The Central Statistical Office announced that May retail sales volumes fell by 0.3 per cent from April, to stand 2.9 per *cent* lower than last year – the sharpest annual rate of decline for more than a decade.

In some sectors, including clothing and non-food goods, the recession was seen to be deepening. The Retailers' Consortium, which claims to represent 90 per cent of the industry, said base rate cuts were needed to relieve trading conditions and rebuild consumer confidence.

Mr Gordon Brown, shadow trade and industry spokesman, renewed calls for cuts and said the figures confirmed "the depth of the recession and the need for government action".

THE LEX COLUMN

BAA's political baggage

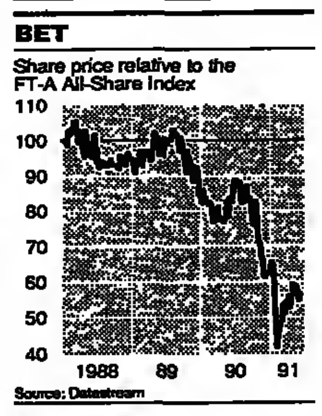
Taking the long view beloved of BAA itself, it could be that the Gulf war came in the nick of time. Last year's 4 per cent fall in pre-tax profits – explained partly by the dip in passenger volume in the fourth quarter – makes the politically desirable point that there are risks in running an airports monopoly after all. Less desirable politically is investors' determination to view BAA as a growth stock. The shares have outperformed the market by 50 per cent since flotation in mid 1987. Judged by the current yield of 3.9 per cent – a 20 per cent discount to the market average – there is still plenty to squeeze from that valuable asset base.

Admittedly BAA is not yet in the firing line like water and gas. But a Labour government would hardly leave well alone, given the present scope to increase dividends well beyond the rate of inflation. A more immediate threat is the MMC review in a couple of months time and the CAA's actions thereafter. Regulators have been getting tougher of late and it would surely be a mistake to assume that this one will be content merely to tinker around with a none too effective RPI minus X formula.

Tut-tutting on car parking fees has already resulted in a minuscule increase last year in commercial income per head from that source, which goes to show that a new Act of Parliament is not strictly necessary to extend price regulation beyond airline charges.

Air traffic remains a growth business in the medium term and Sir John Egan looks the man to take full advantage. The shares in the next few months, though, could ride as much on his political as on his commercial skills.

FT-SE Index: 2,524.0 (+1.7)



Sterling

Aside from today's expected upward lurch in UK public sector borrowing, the market's renewed punishment of sterling yesterday was curious. After all, there is still no external sign of economic panic in the government or the Bank of England.

There may be plenty of political uncertainty, but that is scarcely grounds for a sustained sell-off unless it is to be translated into premature interest rate cuts. All the evidence suggests that is not about to happen, just as it did not when sterling had a previous wobble last December.

One might even argue that in focusing on interest rates the market has its eye on the wrong ball. On a longer view, buyers will be more influenced by the possibility of devaluation. This scarcely seems likely, given the unacceptable loss of political clout it would involve in the middle of torrid negotiations over European monetary union. In the shorter term, however, there is no denying that sentiment would be best helped by a sustained run of positive economic news. Unfortunately, yesterday's retail sales figures lent further weight to the case that if recovery is to be led by the consumer, it may be a long time coming.

BET

The first set of figures from BET under its new management represents a slightly uneasy compromise. While the new chief executive is evidently zealous for reform, he is too fresh to the job to be able to specify the new strategy. Nor is he yet wholly free from the BET traditions of accounting, best exemplified this time by the release to profit of £16m in excess provisions which were never charged to profit in the first place.

Above all, BET is still wriggling off the hook of its own past rhetoric. The claim to be recession-resistant has been shot to pieces; the principle of cross-referring clients to different group services is open to question; and the group's ability to generate cash, previously claimed in the teeth of the evidence, is now the key to the immediate future.

Last year, despite a huge and unsustainable reduction in capital expenditure in the second half, net operating cash flow after tax and dividends was minus £94m. With net debt including auction preferred stock still at £520m, BET must either generate substantial cash this year or unload more businesses on to a buyers' market.

Not that there is any question of BET going under. The question in the market's mind has more to do with the security of the dividend. If, on a very worst case, this year's pre-tax profits were twice the pitiful £80m made in last year's second half, a maintained payment would be only just covered. On the assumption that a new cost-cutting management can do better, yesterday's price of 174p gives a yield of 10.2 per cent. That may seem absurdly cheap in time, but the market will not be easily convinced.

South Korea

On the surface, Korea's move to open its stock market to foreigners looks like a desperate attempt to prop up share prices which have fallen by nearly 40 per cent since their peak at the end of 1989. Tight money, political uncertainties and a faltering economic performance which saw a current account deficit last year for the first time in four years do not make a particularly attractive combination. That said, Korea remains one of the few emerging markets of any size to remain effectively closed and there is heavy pent-up international demand.

The key question is one of timing. With exports now starting to recover and inflation set to peak at just over 10 per cent, the fundamentals could look much improved when the market opens next year. Foreign demand could then outweigh the overhang of holdings by the government-sponsored market stabilisation funds which might be off-loaded into a rally. Investors wishing to position themselves in advance could consider buying convertible or warrant issues in the Eurobond market. But this is still a gamble given the exorbitant premiums; in the case of the $100m Samsung Electronics issue, this now stands at around 40 per cent to the underlying equity.

Lloyd's of London

There may be something to be said for more generous tax treatment of reserving at Lloyds. There is much less to the argument that extending three year carry-back of losses to underwriters will restore confidence in the market. The real problem is Lloyds's reduced value as a tax shelter now that top rate tax is a mere 40 per cent. Only a Labour government can resolve that one.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	23	73
Algiers	S	27	81
Amsterdam	C	14	57
Athens	S	28	82
Bahrain	S	32	90
Bangkok	C	33	91
Barcelona	F	18	64
Beirut		-	-
Belfast	C	11	52
Belgrade	S	35	95
Berlin	C	15	59
Biarritz	F	17	63
Bombay	F	32	90
Bordeaux	C	17	63
Boulogne	F	15	59
Brussels	F	17	63
Budapest	S	33	91
Buenos Aires	C	19	66
Cairo	S	36	97
Cape Town	C	17	63
Caracas		-	-
Casablanca	S	21	70
Chicago	S	19	66
Cologne	F	16	61
Copenhagen	C	14	57
Corfu	S	29	84
Dallas	F	19	66
Dublin	C	13	55
Dubrovnik	S	31	88
Edinburgh	F	13	55
Faro	S	22	72
Florence	F	27	81
Frankfurt	F	16	61
Geneva	R	13	55
Gibraltar	S	23	73
Glasgow	F	14	57
Helsinki	C	14	57
Hong Kong	F	32	90
Innsbruck	R	12	54
Inverness	R	12	54
Islamabad	F	38	100
Istanbul	S	23	73
Jakarta	C	34	93
Jersey	F	14	57
Johannesburg	S	13	55
Lima		-	-
Lisbon	S	23	73
London	C	13	55
Los Angeles	C	15	60
Luxembourg	C	15	59
Madeira	C	20	68
Madrid	S	21	70
Majorca	C	20	68
Malaga	S	31	88
Malta	S	28	82
Manchester	R	13	56
Manila	C	29	84
Melbourne	C	13	55
Mexico City	C	27	80
Miami	F	28	82
Milan	F	23	73
Montreal	C	15	59
Moscow	S	25	77
Munich	R	11	52
Nairobi	C	20	68
Naples	S	28	82
Nassau	C	32	90
New Delhi	C	36	97
New York	C	22	72
Nice	C	19	66
Nicosia	S	29	84
Oporto	S	18	64
Oslo	C	15	59
Paris	F	16	61
Peking	S	30	86
Prague	R	12	54
Reykjavik	S	13	55
Rhodes	S	26	79
Rio de Janeiro	F	30	86
Rome	R	23	73
Salzburg	R	13	56
San Francisco	S	10	50
Seoul	S	25	77
Singapore	F	33	91
Stockholm	T	17	63
Strasbourg	C	16	61
Sydney	S	18	64
Taipei	F	35	95
Tangier	C	22	72
Tel Aviv	S	25	77
Tenerife	S	24	75
Tokyo	C	24	75
Toronto	S	16	60
Tunis	F	32	90
Valencia	C	21	70
Venice	F	26	79
Vienna	F	26	79
Warsaw	F	19	66
Washington	S	26	79
Zurich	R	10	50

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

Investment Capital

A Supplement

JUNE 18th 1991

investors in industry

Essential to the economy is the smaller, high-growth company – and it has special financial needs

FUEL FOR THE FAST LANE

THESE PAGES focus on an elite of the business world. The importance of the smaller but faster-growing independent company became clear during the Enterprise Revolution of the 1980s. In the 1990s, such companies will be called on to fill a special role in job creation. Often they can exploit new markets that larger corporations are not flexible enough to seek out.

They are often characterised by a special kind of management – entrepreneurial management. They also have special capital needs, which cannot normally be met by the stock market and which are outside the scope of the banks. Investment capital is defined by 3i as permanent and long-term capital in the form of share and loan investment in unquoted companies. It can unlock the huge potential for growth which exists in the best managed independent companies in Britain and Europe. Such companies have always existed: now there is more scope for them, and more scope for such capital.

The starting point of this supplement is the conviction that the best independent companies contain precisely the skills, and the talents for industrial innovation, which are needed in today's competitive world. The managerial and creative skills are there. They need the support of imaginative institutions providing capital in the right forms.

Investment capital is much more than a question of backing business start-ups – important though that is. The Chairman of Britain's best known supplier of investment capital, 3i (investors in Industry), Sir John Cuckney, has put it this way: "Fresh supplies of equity capital are needed at various stages in the life of any dynamic company, when it expands or when it has to be restructured. Big companies can go to the stock exchange to fund their growth plans. Smaller ones can't – yet it is often the smaller company that is better able to identify growth opportunities in today's conditions."

Small companies become bigger. Less widely accepted, perhaps, is the point – made trenchantly by the management writer Tom Peters on another page – that larger companies often ought to be divided into smaller, more realistic units. That process, too, requires the imaginative use of investment capital.

The Enterprise Culture that evolved in the 1980s underlies most of the writing in this supplement. It is the new breed of entrepreneurs – ambitious owner-managers who came to prominence during that decade – who are most obviously qualified to make investment capital work. More of them are emerging in the 1990s. The articles that follow describe how capital can be available to help them realise their ambitions.

Investment capital, a key to economic growth

IT IS difficult to imagine the upsurge of entrepreneurial activity which took place in Britain during the 1980s occurring if businesses had been restricted to the use of conventional banking finance.

The present economic downturn may have taken some of the gloss off the enterprise culture but there is no disguising the sea-change that has occurred in attitudes to starting or expanding businesses, and to raising funds to do so.

An instinctive reaction of the banks to the recession has often been to reduce loan facilities. When the upturn eventually comes, it seems likely that the bankers will continue to take a cautious approach which will once again create new opportunities for equity capital.

However, renewed interest in equity capital has come at the same time as disenchantment felt by many smaller companies with the stock market. Some may have delayed or abandoned plans for a public listing. This seems likely to create a sustained interest in the availability of unquoted equity.

The supply of such capital in the UK has two main tap roots,

"The 1980s were an outstanding decade for investment capital – and for 3i, as innovators of many of the techniques for bringing together capital on the one hand and entrepreneurial management on the other. We foresee this highly effective combination continuing to work powerfully throughout the 1990s."
DAVID MARLOW
Chief Executive, 3i.

Distinction from the US model of venture capital

one home grown, the other a US import. It was in the 1930s that a Government committee chaired by Lord Macmillan first gave a public airing to concerns about what became known as the Macmillan Gap. Smaller companies unable to go to the stock exchange, which was equipped to meet the needs of larger companies, had difficulty in finding long-term capital. Macmillan identified the gap in terms of amounts up to £200,000 in currency of the day. Awareness of the gap led to the creation in 1945 of ICFC – the Industrial and Commercial Finance Corporation – which became 3i, and of a number of smaller providers of investment capital.

In America meanwhile "venture capital" flourished in the late 1950s and '60s, largely as a means of providing start-up finance to high-technology companies which could not raise funds from the conventional sources.

From the second half of the 1970s the two streams came together. US venture capitalists established offshoots in Britain while the number of home-grown suppliers of what was usually called venture capital increased to well over the 100 mark.

Members of the British Venture Capital Association have provided £5.41bn worth of capital to more than 5,600 companies in the UK over the past five years. Member companies are estimated to have helped to fund companies employing a total of 1.5 million people.

Although the US and British approaches to equity finance appeared to merge during the 1980s, there was disenchantment among business owners with the short-term objectives of some venture capitalists. Venture capital, many felt, had become too closely associated with short-term investments where the investee company was under pressure to work towards an "exit" – to sell or float the company. Many venture capitalists aim to realise their investment in a company within three to five years.

This was the background to the decision by 3i in 1990 to describe itself in future as a supplier of "investment capital" rather than "venture capital" to stress that it did not put pressure on its portfolio companies to provide it with an exit within a pre-determined time. It argued that the new label merely re-emphasised the "hands-off" approach which it had traditionally taken to its investee companies.

At the start of the 1990s investment capital had been refined so as to be applicable in a broad range of business situations. All

Long-term funding with no pre-determined 'exit'

could be characterised as "points of change" in a business's development.

At the earliest stage in a company's life "seed capital" may be necessary. A little further down the road, start-up capital may be required to launch the business and sustain it through the initial period of inevitable losses. Once the company is established and is making regular profits, development capital may be required to help it finance entry into a new market, the creation of a new product range or the construction of a larger factory. A company may also opt to grow by acquisition, so may need money to carry out its purchases.

There are occasions when shareholders in a business want to withdraw some of the equity in

New motivation for managers – the MBO and the MBI

the business to meet their personal needs. Other shareholders may be unwilling or unable to take over the shares while outside buyers may be unsuitable. In cases such as these, the investor may provide replacement capital, allowing the shareholder to withdraw his funds without damaging the business.

The deepening economic recession has increased opportunities for investment capital to provide rescue or restructuring finance, to help companies sort out their difficulties.

But the most significant development of the 1980s was the growth in the popularity of the management buy-out and, later, of the management buy-in. When managers realised that money was available to allow them to take over the ownership of the business they had been running – or to buy into another business – they grasped the opportunity with enthusiasm. The market for smaller, conservatively-funded buy-outs remains very active despite the fall from favour of the larger, more speculative deals.

The growth of the buy-out underscored a significant shift in the target market for providers of capital. The enterprise revolution did not depend on persuading the lone inventor or the eccentric entrepreneur to start up in business. As the 1980s progressed, it became clear that the professionally trained manager employed in a big company had a far better chance of succeeding when he set up in business on his own than someone who fitted the popular conception of an entrepreneur.

But he, or she, must first be persuaded to leave the safety of the bigger company.

As the providers of capital have refined their methods, so the businessman or woman looking for finance has also become more demanding, prepared to shop around and to compare rival offers of capital packages.

Investee companies learn how to shop around

After a decade of strong growth, the venture and investment capital industry entered a period of consolidation. Some of the marginal players have withdrawn from the market while those that remain have had to devote more time to helping their portfolio companies come through the recession. Nevertheless this type of capital seems assured of a permanent and growing role in the financing of British industry.

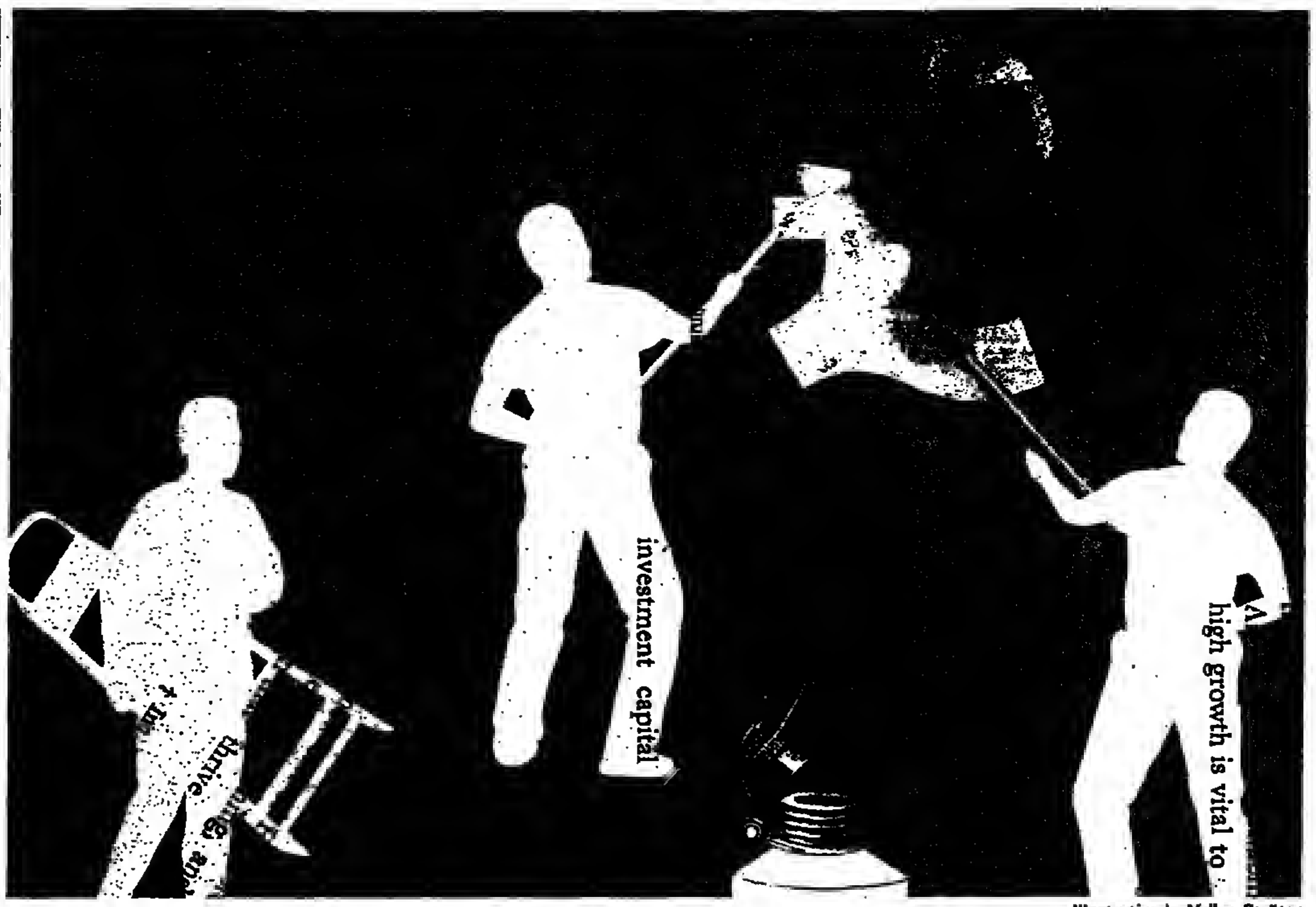


Illustration by Volker Sträter

ON OTHER PAGES

THE GOVERNOR OF THE BANK OF ENGLAND, Robin Leigh-Pemberton, reviews the evolution of the non-quoted capital market

A vital industry that has matured

SIXTY YEARS ago a government committee considering finance and industry chaired by Lord Macmillan identified a shortage in the availability of capital to the corporate sector in amounts of up to £200,000. This shortage became known as "the Macmillan Gap" and amongst the factors considered to be its cause three stood out in particular: the costs of undertaking a public issue of shares; the relative illiquidity of small issues of shares; and the need of investment managers to have a minimum size holding for economic reasons.

It was not, however, until 1945, that practical steps were taken, with the formation of the Industrial and Commercial Finance

Long-term funds needed

Corporation (ICFC). The Finance Corporation for Industry (FCI) was set up at the same time. The launch of ICFC involved the then Chancellor of the Exchequer, Sir John Anderson, and his predecessor, Lord Catto. ICFC had as its shareholders the major English and Scottish banks, as well as the Bank of England, which was at that time still privately owned. FCI was also owned by the Bank, together with a range of insurance companies and investment trusts. The formation of ICFC and FCI was not enthusiastically supported and for several years many waited for their failure.

During this period, however, the primary role of the Bank in relation to industry was to provide short-term finance for trade and working capital purposes, generally by way of overdraft. This allowed both ICFC and FCI to develop rapidly as the need for investment grew.

ICFC and FCI became, in 1973, Finance for Industry, which subsequently spearheaded the development of the United Kingdom venture capital industry. Finance for Industry pioneered new approaches to industrial finance, for example through the use and development of industrial advisers and development spin-offs. In addition, there developed management buy-outs – which have become so popular that last summer saw the celebration of the successful completion by 3i – successor to ICFC and FCI – of its 1000th MBO.

Thus the venture capital industry can now be said to have matured. 3i remains by far the largest player in the UK, but it faces intense competition. The British Venture Capital Association (in which the late Tony Lorenz played such an important role, and indeed with which the Bank of England was again closely involved) now has over 120 full members. This is all a very far cry from 1945, when 3i's two lone predecessors came into being.

The Bank: a vital role in arranging for ICFC to fill the "Macmillan Gap."

The often frenetic activity of recent years has of course passed; the opportunities for MBOs have lessened, not because the industry has had difficulty in obtaining funds, but because the number and quality of applications have, I understand, markedly diminished in the last few months. Nevertheless, the contribution made by MBOs, whether large or small, should not be underestimated: many companies have been invigorated through MBOs, and this has stood them in good stead in the more difficult economic conditions which they now face. And despite the slowing down in MBO activity, I still expect that there will be a significant number of MBOs from distressed companies this year, which I hope will provide them with fresh impetus for growth as the economy recovers.

Current economic conditions therefore present the venture capital and investment capital industry with a number of challenges. In addition to the lower levels of activity which have led to reduced opportunities in leveraged buy-outs and larger MBOs, flotation, often in the past the common exit for venture and investment capital to be recouped, is virtually a closed channel at present. However, such challenges also provide opportunities. It remains to be seen whether the industry is lean, fit and flexible enough to react effectively. Developments are occurring all the time and the recent trend towards venture capitalists making investments in smaller quoted companies is an interesting extension of their more traditional policy of retaining investments in companies after they become quoted.

Into Europe – and Japan

Looking further ahead, I am sure that the industry will continue to forge stronger ties with Europe as markets in the West develop further and those in Eastern Europe begin to grow. Indeed, investment in 1990 by BVCA members in Europe increased by 180 per cent to £253 million, 16 per cent of the total UK venture capital investment. Further afield, the way ahead is less clear. Links with Japan may grow as the importance of Japanese industry and the resulting wealth available for investment make themselves increasingly felt, and it may be necessary for the investment capital industry to form and develop links with that country. Outside these centres, however, the UK industry has had little involvement with other regions or countries: this seems to be largely the result of cultural differences and might therefore be difficult to overcome, but equally they suggest there are still new fields for expansion.

Some still ask, even 60 years since the "discovery" of "the Macmillan Gap" and the subsequent development of a strong investment capital industry in the UK, whether the gap has in fact been filled. No doubt there is a sense in which there will always be gaps, in that some projects and companies will find it difficult to raise finance at a price they can afford. But if we examine the problems identified by the Macmillan Committee, we have made enormous progress. There are now more means available than ever before of satisfying funding needs, and I hope very much that the industry will continue to adapt, as it has in the past, to changing conditions and requirements, so allowing it to continue to prosper throughout the rest of this decade.

INVESTMENT CAPITAL: THE SCOPE

How do you approach an investment capital company?

Funding growth – investor and management must talk the same language

INVESTMENT capital is about business growth, and it complements bank lending to fill a different need. It also ensures that businesses using it – which can range from the smaller company through medium-sized to very substantial companies – are not relying entirely on one source of capital.

Basically there are two elements to investment capital: share capital and long-term loan capital. It is important to match the funds invested today with the anticipated needs of the business as it grows. An important part of the case for introducing equity capital is that ambitious plans for expansion can be brought forward, possibly by years.

How do you approach an equity investor? You, as a potential investee company, have your ideas about what you want. *Investors have their ideas.*

A formal Business Plan is not necessary in the first approach to a provider of investment capital, but the directors should be ready with answers to questions like the following:

The secret: people, people, people

- The product and the market. What is the company's strategy? Is there evidence that the proposed growth will provide something that customers will want to buy – and that they cannot equally well buy *elsewhere? Do you know* how competitors will react?
- What about the management *the investor is being asked to* back? An old saying in the investment capital industry is that there are three main factors in deciding whether to invest in a project: people, people and people.
- Is the management team aware of its weaknesses as well as its strengths?
- *Operational details. Is there a* clear picture of the premises, plant, sources of supply and distribution arrangements required if the growth plans go ahead?
- Financial and production forecasts. On what assumptions have the forecasts been based? Have risks been assessed *realistically?*
- Capital needs. Will other *shareholders* be *contributing* more funding? Will a bank be providing additional working capital?

These points indicate some of the areas that institutional investors will explore when *propositions come before them. But* what we are talking about here is a coming together of two sides, investor and investee, in a relationship which could continue for many years, and ideally will prove satisfactory and harmonious to both sides.

Getting the right mix of debt and equity

Company directors, therefore, should for their part have a list of questions to put to potential investors, for example:

- How quickly will the investing institution be looking to get its money back? Do its aims match yours, on matters like selling the company on, or going public?
- What is the investor's policy on the constitution of the board? No investor is going to put up capital and forget about it, but different institutions have very different philo*sophies about their day-to-day* or week-to-week relationship with management. Some investments are based on what is, relatively speaking, a "hands off" policy; others are very much "hands on."
- What will the monitoring demands be? Are they appropriate to your business?
- *What is the policy on future* investment? Some investors may put a ceiling on what they would invest in any one company, or any one sector.
- In general – how helpful, friendly and accessible will the investor be?

The institutional investor expects to see a fair return on its money. The capital package will be structured so as to achieve this in a way which, it is to be hoped, will also be fair to the investee company. Some of the packages can be very complex, involving ordinary shares, various forms of preference shares, debt (in the shape of long-term loan capital) and mezzanine finance, which as the name implies has some of the characteristics of equity and some of debt.

The reason a business seeks *capital is not only to grow but to* do so profitably. But if the project – whether it is a business start-up, or restructuring as in a management buy-out, or organic growth, or growth by acquisition – involves servicing a vast loan debt, profits can be seriously endangered, particularly at a time of high interest rates: companies which have recently experienced difficulties have tended to do so not because of introducing new share capital, but because they were unable to finance their debt. With the knowledge that finance, in the form of a mix of shares and long-term loan capital, can be *available for a worthwhile business venture, directors can plan* an expansion programme more *confidently.*

The money is there – for talented managements with sound ideas and the drive to see them through. Bringing in an institutional shareholder is a possibility always worth investigating by the board of an ambitious independent company.

Hi-tech start-ups present financial backers with a challenge but in the right hands they give Britain a head start, says Paul Gregg

Save the family silver!

HIGH-TECHNOLOGY start-up companies seeking an investor who understands them will, I believe, find the investment capital companies more sympathetic than the banks. The recession has meant that the number of potential entrepreneurs coming forward to start their own companies has slackened off. Many of them prefer the safety of holding on to a salaried job in a large company at least until the situation improves. They will come forward when they feel the situation is right for them.

Unfortunately, technology is still largely misunderstood and undervalued by some sectors of *the financial community. This is* a tragedy, because it is a money earner for the country.

Today, there is little room for the "me-too" company, offering similar products and services to a thousand other companies. Sectors of the market are already overcrowded and having a tough time without adding to the list. Typical examples are the printed circuit board manufacturing and contract assembly sectors.

What kind of ideas are investors looking for? Certainly not "blue sky" ideas that consume a lot of money at the design and development stage, and then offer no certainty of taking off once they reach the market. The press is littered with such stories. While the driving force today is *financial rather than technological*, your idea should attempt to marry both.

It is important to begin thinking about the market you want to be in before concentrating on the product or service. Product life cycles are shrinking down from years to months in some instances. So the long-term viability of the business is the first concern.

An investor will look at the people involved first and foremost. It is important to ensure that they are capable of taking *ideas and turning them into successful businesses.* In the case of a management team, it is vital to get the mix of skills right. Not everyone is good at every aspect of technology and business, but many are good at one or the other.

"Many people underestimate the process of investigation which must be undertaken before an investment capital organisation is able to invest," explains Jane Crawford, local director at 3i's Thames Valley office. "This may involve anything from an analysis by 3i's Industry Department to the resolving of intellectual *property rights matters* before a company or project is fit for investment."

In the case of the Thames Valley office this due diligence has paid dividends with a string of good investments including Auto File, Research Machines, Oxford Instruments and Logical Networks making up over a third of its investments in hi-tech companies.

The entrepreneur or manager of a potentially viable project looking for an investor should have little difficulty in finding someone ready to listen to a proposition.

The first step is to have a business plan. This need not be a *lengthy document, because it* provides the framework only. It can be fleshed out later. A statement should identify the opportunity, together with a projection

A balanced board with proven financial expertise

for sales growth, plus the size of the existing market, and who else is in it.

One of the major obstacles to funding could be evidence of a weakness when it comes to financial matters. *Most successful* start-up companies have a finance director on board.

Patent registration should be incorporated into the business plan. This is particularly important if the company is going to operate in the export market. A company should also seek to license its technology outside the UK as a way of gaining acceptance. Licensing gives customers confidence that, even if you disappear, *they* will be able to get the product from elsewhere.

Jane Crawford says: "Often a young company can spend too much time perfecting a design when it should be thinking of *licensing the design, and moving* onto the next product. While they are working on their design, a competitor with larger resources comes along and beats them to the market – often with an inferior product."

A recent example of 3i's support for good design is a product called Papertalk. It is the first write-on-screen unit to be designed, produced and financed in the UK. It is being made by the Cheshire-based Eden Group.

The product is the brainchild of director Stephen Randall, and it took less than two years to develop. Production is about to be licensed to a *major computer* manufacturer. It comprises an A4 binder-sized pad with an electronic pencil. The user writes directly on the screen to correct or annotate the text.

This is a major benefit to the busy executive who has not grown up with personal computers, or who does not want to be bothered with learning how to use them. That may sound unusual to many people, but there are large areas of the world that are still computer-illiterate.

Eden believes that there are *ultimately 30 million* potential users of Papertalk worldwide, and it is planning to license the *technology and complementary* software either as a complete package or separately to a range of manufacturers.

Unfortunately when a young company does stumble or go under, more often than not it is the fault of the management team who fail to spot the danger signals early enough. But equity investors have more experience today of spotting problems long before they arise.

In the case of Eden Design, 3i recognised Stephen Randall's excellent technical and creative skills, but saw that he had less commercial experience. However, 3i was already in touch with businessman David Crisp, who was looking to start up his own company, and introduced the *two men.*

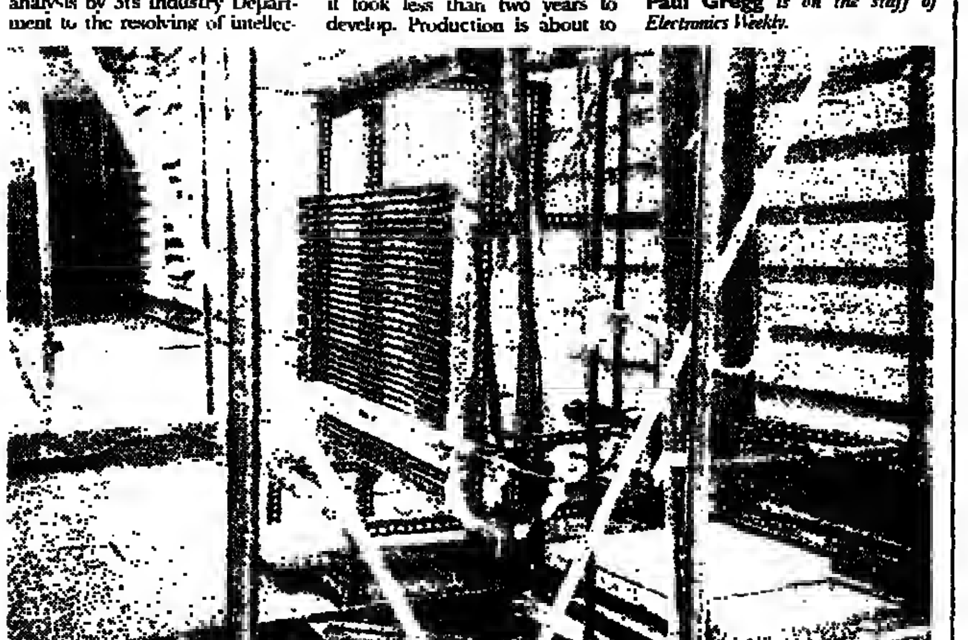
David Cheesman, director of 3i responsible for hi-tech, says of David Crisp, who became Eden's managing director: "His international management experience, in the oil, computer graphics and CAD/CAM industries, combined with Stephen's expertise, resulted in a more substantial management team."

It is important that an investor in high-tech should have experience *in matters such as* design overrun costs and prolonged hand-over periods in the *case of capital equipment.*

The growth of small to medium-sized enterprises is a cornerstone of the European Community's strategy in technology. The Department of Trade and Industry already recognises that fact through its financial support schemes.

High-tech start-ups are important, not only as a source of job creation – they also help Europe sell its products on the world market. In a sense they are guardians of Europe's family silver.

Paul Gregg *is on the staff of Electronics Weekly.*



From basic university research to commercial production: this was the early equipment used on the roof of King's College in Chelsea by Photo Bioreactors Ltd to produce protein-rich algae from sunlight. PBL, in conjunction with the international biotechnology company Christian Hansen Laboratories, is now engaged in important export trade in nutritional products.

Jonathan Ward puts the big deals in perspective

No more gung-ho MBOs – but managers still do buy out

IF ANYTHING captured the gung-ho mood in the financial *markets of the late 1980s it was* the boom in buy-outs. MBOs epitomised the Thatcher years. They proved to politicians at least that British management could manage, that in the right climate it could be entrepreneurial, and that even unadventurous executives could be persuaded to take serious financial risks provided the rewards were worthwhile.

The management buy-out boom was a public relations dream for private enterprise. Small companies with potential were liberated from the stale bureaucracy of large organisations. Management was given freedom to manage. Appetising equity packages promised massive rewards for successful managers. Share schemes promised to share the rewards with employees. And the banks, so often criticised for failing to back industry, fell over each other to provide loans to back up the equity to make the whole thing possible. It seemed for a time to be that mathematical impossibility – a game where every participant was a winner.

But that was then and this is now. Today the Prime Minister has changed, and the spirit in the financial markets has changed too. It is a long time since a management buy-out caught the imagination of the financial press and the perception in the country, if not in the City, is that the movement was ephemeral – no more than a passing fashion.

If that were true it would be a pity. Underneath the hype and with a generous discount for

Less debt means greater financial stability

exaggeration, management buy-outs were undoubtedly one of the most positive forces at work in the British economy. And happily they still are. The size and value of management buy-outs may have changed in the past two years, but the principle is still alive, and the seeds of tomorrow's success are still being planted.

But the froth has been blown off. An examination of statistics produced by the accountants KPMG shows that the recession has brought three changes. Today's buy-outs have less debt and are therefore more stable financially. The vendors' expectations are lower and prices are therefore more realistic, and the general malaise of British industry means that there are some genuine bargains to be found, though some, sadly, only come when the parent company is in receivership. It is perhaps typical of the British, however, that while the collapse of Coloroll received massive press coverage, the revival and continued prosperity under a management buy-out of Denby, one of its subsidiaries, received barely a mention.

Receivers today take a much more positive line towards management buy-outs.

It may come as a surprise, but buy-out deals last year though smaller in cash terms, are still almost as numerous, even after the recession had bitten. In 1988, for example, there were 50 management buy-outs and buy-ins with a value of between £10 million and £250 million. This figure jumped to 69 for 1989 and then fell back to 56 for 1990, a still highly respectable total by any historic yardstick. But the total value of the 56 MBOs and MBIs in 1990 was almost 25 per cent less than the amount spent in achieving the rather lower total of 50 deals in 1988.

Where you really see the change of mood is in the bigger deals, billed by KPMG as being over £250 million, and separately in the deals which seek to take a previously quoted company private. The number of large MBOs and MBIs involving non-quoted companies fell from five in 1988 to three in 1989 to one in 1990.

A very large proportion – over a third – of the management buy-outs carried out in the UK have been funded by 3i capital. The thousandth 3i MBO, at Holden and Brooke, an old-established Manchester manufacturer of hydraulic pumps, took place last year. The leader of the MBO team, Bob Symons, is seen here with the Chairman of 3i, Sir John Cuckney.

Among quoted companies, in 1989 the stockmarket was enlivened by the dramatic struggles for control of Gateway, the supermarket chain, and Magnet, the building materials group. These were the most spectacular two out of 12 quoted company deals worth in total £3.8 billion. But last year was dull. There were just four quoted company deals worth in total £170 million and the names – Saga, Batleys, W Alexander and Andrew Lloyd Webber's Really Useful Group – were hardly the stuff of financial legend.

The real change in recent times concerns the willingness of the banks to finance the big high-profile buy-outs. They have painfully re-learned once again that there are no free lunches. Magnet and Lowndes Queensway are examples of investments which were not successful.

It is also wrong to think, because some of the bigger buy-outs clearly over-stretched themselves, that all buy-outs are in trouble.

A study of a sample of the thousand buy-outs in which 3i had an interest presents a quite different picture. It found in a recent survey that 46 per cent of MBOs reported an increase in employment since the deal, and only 21 per cent a decline. It found too that 37 per cent reported substantially increased profits, 29 per cent moderate increases and only 16 per cent a fall in profits.

But success does not necessarily change sentiment in the short term, and it is easy to see what happened to the structuring of new MBOs as the banks turned off the tap.

In the latter half of 1989, equity had accounted for only 15 per cent of the typical £10 million-plus buy-out, and the average gearing was 5.9 times. By mid 1990 the equity share had risen to 25 per cent and gearing slipped to three times. But by the second half of 1990 the typical deal had 35 per cent equity and gearing of just 1.8.

But this is still a far cry from the witty comment from Jon Moulton of Schroder Ventures that 1991 would be the year when the buy-out funding industry became mature – i.e. "shrunken and shrivelled." Perhaps, more realistically, this year is one to separate the men from the boys in the industry. There are good deals to be done but the test, in the words of Colin Matthew of the Bank of Scotland, will be whether lenders will still be able to spot a good deal when it is put in front of them. Not for the first time in the City, fortune will favour the brave.

A MANAGEMENT-CONTROLLED MBO.
(An imaginary case as it might be funded by 3i.)
Buy-out of XYZ Ltd from its parent group ABC plc.

FINANCE REQUIRED	£000
Purchase of 100% equity of XYZ Ltd	1,000
Repayment of inter-company debt	1,000
Purchase of freehold property from ABC plc	250
Total consideration to ABC plc	2,250
Costs of buy-out	175
Additional working capital	500
Total required	2,925
FINANCING SCHEME	
Management – 66·6% of ordinary shares	200
From 3i – 33·3% of "A" ordinary shares	100
– redeemable preference shares	500
– term loan	1,000
Bank lending	1,125
	2,925

The management, having committed £200,000 of their personal resources, control a company costing over £2 million.

But the gearing is only 2.7 times (£2,125,000 divided by £800,000 of share capital).

Jim Levi assesses one route for divestment strategy

MBIs – and now BIMBOs

WHEN Lord Hanson acquired control of Consolidated Goldfields in the autumn of 1989, one of his first moves was to sell the loss-making ARC Construction to Neil Ashley in a £6.2 million management buy-in.

Within a year Ashley and his team had achieved a dramatic turnaround in the fortunes of the business and then renamed Amey Holdings, despite the construction industry's deep recession.

MBIs are not as prevalent as MBOs – there were more than four buy-outs for every buy-in in 1990 – but they are now firmly established in Britain as a way of selling companies and enhancing shareholder value in large groups by divestment.

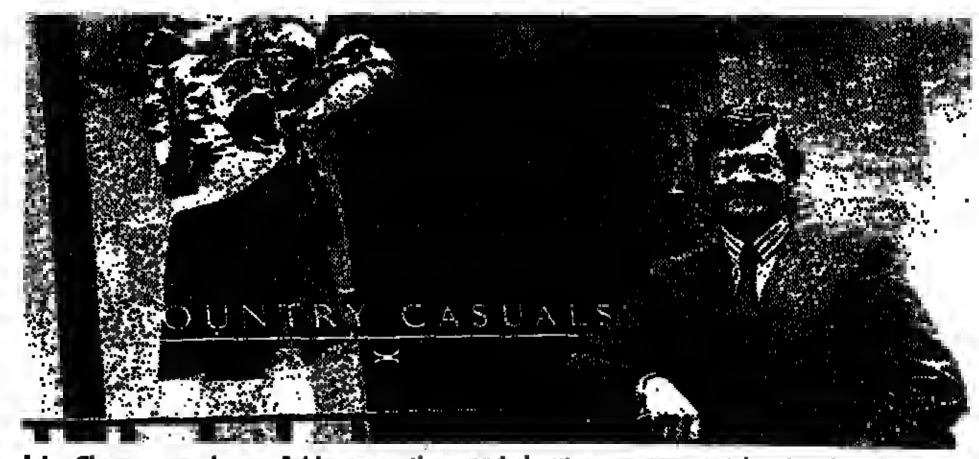
In effect the Ashley approach was three parts a buy-in and one part buy-out. This blend of management from both within and outside a company can increase chances of success in negotiation with the owners and in arranging the necessary package of investment capital.

The combined MBO/MBI – or BIMBO as it has been dubbed at 3i (Buy In Management Buy Out) – often means not only easier negotiations but also a stronger team. Access to existing management gives the buy-in team a much clearer idea of what they can expect to acquire and it gives the incumbent management every reason not to take their eyes off the ball while their company is being sold.

The buy-in phenomenon began to take off in the unquoted sector of the market in 1988. In the early eighties there had only been a handful of private buy-in deals each year. But by 1985 the number had grown to 23. Two years later the numbers doubled to 47 and doubled again in 1988 to 85 and reached a peak of 118 by 1989. Even in last year's recession there were 93 MBI transactions in the unquoted sector worth in all just under £550 million – itself a record. But recession has certainly put an end to some of the more spectacular quoted company buy-ins.

The MBI concept encompasses everything from Sir James Goldsmith's abortive Hoylake bid for BAT Industries through other major deals like the Pembridge takeover of DRG, the Isosceles acquisition of Gateway and not forgetting the pathfinder Paternoster bid for UK Woolworth (Kingfisher) back in 1982. Such major deals are now right out of fashion and likely to remain so until the economy becomes more buoyant. In 1987 there had been 43 buy-ins of publicly quoted companies. In 1990 there were just 14.

What has been notable in the harsher climate of the past 18 months has been the resurgence of buy-ins of divested subsidiaries of major companies. Professor Mike Wright, head of the Centre for Management Buy-Out Research at Nottingham University, notes that 11 of the largest 25 buy-ins on record have arisen in this way: notably the £186 million buy-in of Jarvis Hotels from Allied Lyons and the purchase of Hamleys from the Burton Group. This trend combined with the continued steady growth in the volume of more modest buy-ins has produced the record year for MBIs in the unquoted sector at £550 million for 1990.



John Shannon, ex Laura Ashley executive, carried out a management buy-in of the Country Casuals retail chain from Coats Viyella for £13 million in 1989.

Research by 3i's Buy-In Unit shows that 52 per cent of its MBIs target family companies. And it is apparently a misconception to imagine that most buy-ins are turnaround situations.

Frustrated managers

Usually in the family business there is simply a succession problem. There is also frequently a reluctance to sell to competitors and an even greater reluctance to sell to an acquisitive publicly quoted conglomerate which might close the plant down and move the operation elsewhere. Family shareholders tend to prefer their company to remain independent and locally based. To many it is important to them that they retain their place in the local community – and that someone will still buy them a drink down at the golf club! At 3i they say some owners will sell their family business for as much as 30 per cent less to someone they feel convinced will look after the company's long-term interests and keep it independent.

For the manager carrying out a buy-in, a locally struck deal has attractions. As they put it at the 3i MBI Unit, if the manager is not careful he can spend half his life on the motorway.

Behind the growth in MBIs of both private family businesses and offshoots of larger companies are a number of influences. One is the frustration of a number of prospective management buy-out teams who had been outbid for their company by a trade buyer. The entrepreneurial touch paper has by then been well and truly lit, as they say at the MBI Unit. The managers could start up a business, but that is risky. The choice is to buy something similar.

Research by Professor Wright and his team at Nottingham gives some more indications of what makes a successful MBI. They surveyed 59 MBI teams during last year and their findings suggest that smaller buy-ins performed less well than larger ones. In the case of buy-ins in public company divestments, only 36 per cent were operating below their planned profits target while in the case of buy-ins of unquoted companies the proportion of those below their profit plans was over 60 per cent. (3i suggests that a possible explanation is that when large-company managers buy into a smaller company they are not immediately at home with the new environment.)

The findings also suggest there is frequently a buy-out element in the buy-in deal. Either an "insider" becomes part of the team or someone in the buy-in team has special knowledge of the target company. The survey showed 59 per cent of the sample had such special knowledge and 20 per cent of them had previously been employed by the company.

The 3i MBI Unit experience suggests the typical MBI team spends a year searching for the right target, "and then spends seven to ten years running it."

INVESTMENT CAPITAL: THE INVESTEES

Breaking out of the corporate strait-jacket

Nicholas Evans on the managers who get a taste for running their own business

DAVID AUTY, the 48-year old chairman of Coin Controls, was the perfect candidate for a management buy-in. As the name implies, in an MBI a proven entrepreneur or experienced manager buys into an existing business, even though he may have had no previous link with it.

Auty had made a "substantial" sum of money out of his old company, a former BL subsidiary, which he bought in 1980 – a management buy-out – with two colleagues, and sold in 1985. But after two years he longed to return to business: "my wife was sick of the sight of me round the house."

In 1987, he hit a buoyant buy-out market, with virtually every plc worth its salt acquiring small companies. "It was impossible. So I realised I had to go for a much smaller company to give me credibility, even if it meant just a couple of days a week work."

Casting around, he came across a small coin handling company, Thomas Automatics, then part of the Rank Group, with an annual turnover of under £1 million. "I didn't know anything about coin handling but it seemed a business with potential, so I bought it," he says. Two years later, knowing the business backwards and with turnover up to £4 million, Auty made an even bigger leap, taking over Coin Controls, then a subsidiary of Williams Holdings.

This second buy-in was funded through a £10 million equity-and-debt package backed by 3i and Midland Montagu Ventures. Despite the timing of the move – interest rates were at a record 15 per cent – Coin Controls has prospered, turning in an operating profit of some £1.8 million in 1990. Auty's one regret was simply that he had not made the move earlier.

David Auty is a perfect representative of the entrepreneurs who, having made their money in the eighties, find that retirement at an early age is not all they had hoped. The cut and thrust of business is what they are after. This may indeed explain the growing popularity for buy-ins.

The one major drawback for these entrepreneurs in buying into a business is simply the danger of the unknown. In contrast to a management buy-out, where the team have worked in the business for years and should know everything about it, the buy-in team are coming in fresh without any of that invaluable fund of corporate history. Even where the buy-in team have done their homework, nasty things can crawl out of the woodwork.

3i has sought to overcome this problem by organising its own management buy-in unit – a sort of corporate dating agency. It runs a programme for managers who have the aptitude and skills to become owners and at the same time has built up a list of businesses which could be for sale. Many of these companies are family-owned businesses where the owner does not have a natural successor and where he or she is loath to sell out to a rival. An appropriate marriage is then arranged.

The other major source of MBI talent comes from senior managers in an industry who want to be their own masters. They have the advantage over the seasoned entrepreneur in knowing the industry, and they will also have good contacts.

But they are taking a huge risk – giving up a high salary and all the associated perks to venture into the great unknown. Experience is invaluable. Some 77 per cent of the managers backed by 3i had around five years working at managing director level.

David Cauthfield, chairman of Bluedale Stores, did exactly that. As managing director of Tesco's retail stores, he was at the very top of his profession and had also worked for Keymarkets and International Stores. But he decided to branch out on his own when "the family had grown up and my home was paid for."

Using his contacts in the trade, Cauthfield let it be known that he would be interested in taking over any small supermarkets that were candidates for disposal. "Safeway and others registered my interest and said that 'when anything comes up, we'll let you know.' My track record was vital," he says.

Some 15 months ago, a package of 12 unwanted Low Cost stores were offered to David Cauthfield. But these were too large for him to handle and the package could not be split. His solution was to invite the Circle C group to mount a joint-purchase.

Mr Cauthfield took the four stores now called Bluedale Stores, leaving Circle C the other eight. His four stores – two in Essex, one in Kent and one in Lambeth – were selected because of a process of "cherry picking." Two of his shops are freehold sites and a third has a long lease.

Though the timing of his move to independence coincided with the economy's move into recession, Mr Cauthfield has no qualms about his decisions: "This sort of business is much more stable than a fashion or niche business. We're open late hours and seven days a week, which gives us an edge over the multiples. Trading has been well up to expectations. We're taking £60,000 a week."

With 3i investment, which took a 29 per cent stake in Bluedale, he is now on the lookout for a similar small package of stores as part of his expansion plan. "Having worked with 3i on the first stage, it should be a lot easier working with them next time round," he says.

On a larger scale, John Shannon, an ex-Laura Ashley executive and Katherine Hamnett managing director, set up the Timeclass investment consortium, to buy the Country Casuals retail chain from Coats Viyella for £13 million in March 1989. Bringing his retail experience to bear, Mr Shannon had halved the group's debt to £5 million within a year.

Even in the depths of the depression, Mr Shannon is still looking to expand, and in a novel move recently joined with the management of the Oasis fashion chain to buy the business from the receivers. Ownership is equally divided between Timeclass and the Oasis management, so retaining management control.

Looking to the future, there should be increased scope for the economy to be further strengthened by the activities of former executives of large companies who would like to start their own businesses or buy into existing companies with growth prospects.

The enterprise culture of the 1980s is still alive and well among many managers, still inside the corporate structure, who would like to be their own bosses. And many of the entrepreneurs who sold out of their businesses at the top of the market in the 1987-88 period, will have enjoyed two or three years of retirement. Boredom with the golf course or endless world tours is likely to be setting in now. A hankering to return to business has been deterred only by what many regard as the absurdly high prices demanded for businesses.

But at this stage of the economic cycle, prices of companies have been tending to fall.

This picture, by Alan Cracknell, attracted considerable attention when it was first published by 3i in 1987. It symbolised one characteristic of the Enterprise Culture of the 1980s: that in the big corporations there were frustrated executives who might have "peaked-out" in their present job but had ample energy and ambition to take on more responsibility. 3i popularised the term "Break-out" to describe this phenomenon, and was able to provide capital backing to enable many of them to leave the corporate hierarchy and run their own, smaller company.

Look after the pennies, and the pounds . . . Handling coins is a serious business and a coin handling company needs the right capital structure. The Coin Controls story is a classic case of a management buy-in – in this case by a man who had already performed an MBO.

A place where investors have found the right people to back

Scotland's capital seeks out Scottish entrepreneurs

SCOTLAND appears to enjoy a unique position within the UK investment capital market. By some measures, it surpasses all other regions in levels of investment activity save for Greater London and the South-East.

The average level of investment per company may, however, reflect the fact that the large number of businesses which comprise the Scottish company sector are relatively small private limited companies.

It would be nice to suggest that this regional dominance results from an entrepreneurial gene only found north of Hadrian's Wall but this would be inaccurate, despite the country's history of innovation and able management.

The real reasons are more mundane: relative to regional size, there is a greater number of players in the capital market, either offering or with access to large pools of funding, than is generally found outside Greater London and the South-East. Edinburgh and Glasgow are powerful financial and commercial cities in their own rights and the country's business and financial community tends to communicate with itself more effectively. As one senior figure in the investment business says, "Here, I feel part of the *business* community. In London I feel part of a *financial* community."

by
BILL MILLAR
of Scotland's Business Insider

Link all of this to the nature of company sector I have described, to the unique features of oil-driven Aberdeen (which continues to boom in the face of national recession) and to the fact that Scotland has suffered less dramatically than the South during the recession – and the picture clarifies.

Essentially, funds have to find a home; more opportunities are created.

The Scottish investment market is well provided with offers of funds, including the Investment Division of Scottish Enterprise (formerly the Scottish Development Agency) which, in numbers of relevant transactions, probably lies second to the ubiquitous 3i with its offices in Edinburgh, Glasgow and Aberdeen.

It might be argued that the disparity between Scotland and other regions outside the South should be greater than it is. But the innate caution of both entrepreneur and investor in Scotland, itself a combination of blessing and curse, may well act as the check to higher levels of activity.

Recent Scottish expertise demonstrates that investment capital is nothing if not versatile in the nature of the transactions to which it leads itself.

Dundee Dispensers of Dundee, the UK's market leader in petrol pump manufacture, began operations in 1983 as a small management buy-in of a division of Veeder Root. Funded by 3i and the then Scottish Development Agency, in its first year it began carving its way into the petrol pump market and turned over £1 million. After MBI funding came growth capital: over the next few years it received two more rounds of funding from existing shareholders and the Bank of Scotland until it established leadership in its chosen market with a turnover of over £18 million. Late last year it was acquired in a friendly takeover by the giant Schlumberger Technologies, enabling it to continue to grow into Europe.

On the management buy-out side of the investment market, major examples have included Invergordon Distillers. Its managers bought it out from the parent group in December 1988. It then returned to the stock market when it itself floated in a blaze of publicity with a value of some £200 million, which was twice the valuation at the time of the original MBO.

In August last year the management and staff of MacFarlan Smith, the Edinburgh-based fine chemicals manufacturer, purchased the company from the mighty Glaxo in a £17 million MBO (equity, loans and working capital) funded by the Bank of Scotland, 3i, County Natwest Ventures and Noble Grossart.

But lack of size need not mitigate against the potential user of investment capital. In 1984, 3i backed a trio of enterprising individuals who wished to start up their own advertising agency. Since those early days in a converted school, the Leith Agency has been re-funded to enable expansion and has now become one of the most successful advertising agencies in the country with a strong reputation for creativity.

The Scottish experience shows how recession can work in favour of those seeking the services of the investment capitalist. Witness Aberdeen, which, because of its links with the oil industry, went through its own slump in 1987/88. That period produced a range of opportunities for start-ups and management buy-outs as the major oil companies shed superfluous arms of their businesses. Today, companies which were successfully funded at the time with MBO capital have developed to the point where they have been receiving further funds in the form of growth capital.

In an ideal world, capital investors would construct exit horizons to suit the natural growth and development of companies, be it three or twenty-three years. Every company is different. Personalities, ages and objectives of management teams are different, and the management team is the key factor in measuring the potential of any investment.

Ideally, investee companies would be able to pick the date (if any) when the investor would realise his investment. But the world is not ideal and Scotland is no different. There have been hints that Scottish Enterprise's Investment Division is coming under pressure, at senior Scottish Office level, to lower the exit period of its investment. Considering that one of its primary purposes is to encourage start-up companies, political nods and winks intended to encourage the Division to lower exit periods to five years will not be helpful to the cause of potential operations, or to the Scottish economy. A high-tech start-up, for example, is seldom suitable for a faster exit.

It has also recently been forecast that the focus of some investors' activities is moving towards greater levels of investment in smaller publicly listed companies, rather than independent companies.

Investment capital in the form of genuine long-term investment in the unquoted sector will therefore play an increasingly important role in Scotland, which is not exactly overburdened with publicly listed companies, large or small.

If Scottish unquoted companies are to grow, it is to be hoped that "long-termism" will become flavour of the decade.

In the north-east of Scotland, which has been making its own economic rules under the influence of the oil industry, the ups and downs of oil-related companies have provided notable opportunities for the use of investment capital. When the oil sector had a downturn in 1987-88, there were various opportunities for successful management buy-outs with the help of capital packages arranged in the Aberdeen office of 3i. Meanwhile a 3i investee company much in evidence in the skies over the North Sea is Bond Helicopters, which has grown powerfully since its origins in crop spraying in East Anglia. Bond Helicopters relocated in Aberdeen in 1987.

The entrepreneur – a different suit, same fire in the belly

John Pleasant considers how far Britain has come to terms with people who make money

THE FRENCH had a word for him, even if the British didn't: *entrepreneur*. The British traditionally thought he was not quite respectable, and preferred to ignore him unless, like Cecil Rhodes, he added a few bits to the Empire.

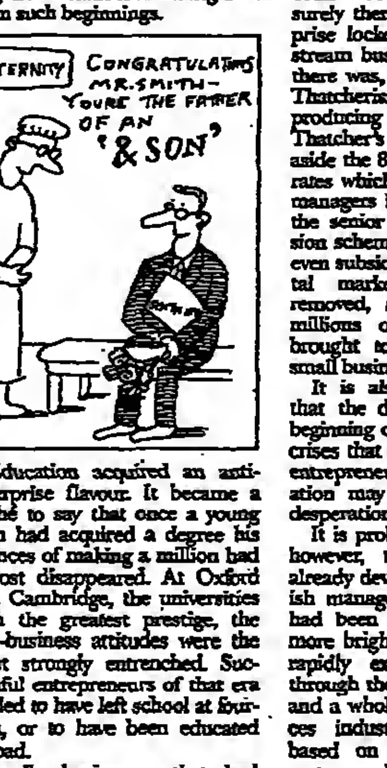
Of course, in a conservative society a genuine entrepreneur is a decidedly awkward sort of character to have floating around. He may come charging into all sorts of cosy business situations and upset the existing order. He is likely to be a tough and awkward kind of chap, not much like the decent chartered accountants and family businessmen you might find at the local Rotary Club. Worst of all in a country with an established social order, he may make a great deal of money which, dash it, just isn't *fair* unless, of course, you were born to it.

In many countries, indeed, the entrepreneur has been a persecuted species, suppressed by the need for permits, licences and quotas. Not only socialist states have been governed like this. In such circumstances the entrepreneurs are driven into the black markets which may only go to show, in the view of the powers that be, that they are subversive and dangerous. But to whom?

Even in the UK we have not, until quite recently, had much encouragement to look for the entrepreneurial sparks which may be buried within our own bureaucratic personalities. "I didn't realise how entrepreneurial I was," remarked the 55-year-old manager who led a 3i-financed buy-out. It is never too late for self-discovery.

In the post-war era entrepreneurs in Britain often seemed to be immigrants, who were not inhibited by the prevailing oppressive business culture, or who simply were shut out, because of their lack of qualifications, from the professions or the other prosperous and respectable occupations of the British middle classes.

The classic homegrown entrepreneur had been demobbed from the RAF with a small gratuity and had set up a workshop under the arches, or had got into the army surplus business. But only a few made it to the big time from such beginnings.



Education acquired an anti-enterprise flavour. It became a cliché to say that once a young man had acquired a degree his chances of making a million had almost disappeared. At Oxford and Cambridge, the universities with the greatest prestige, the anti-business attitudes were the most strongly entrenched. Successful entrepreneurs of that era tended to have left school at fourteen, or to have been educated abroad.

Family businesses that had clung on through the depression of the thirties and the controls and shortages of the forties generally had a dynastic approach to long-term strategy. It was each generation's duty to pass the business on in sound shape to the sons and daughters. Risk and ambition played little part in family thinking.

Only outsiders, it seemed, could be entrepreneurs. But surely there was plenty of enterprise locked away inside mainstream business culture? Indeed there was, and the upheavals of Thatcherism played a big part in producing change. Margaret Thatcher's government swept aside the 83 per cent income tax rates which had locked so many managers into the cosy perks of the senior employee, with pension schemes, company cars and even subsidised mortgages. Capital market constraints were removed, so that hundreds of millions of pounds could be brought to bear on promising small business situations.

It is also worth mentioning that the deep recession at the beginning of the 1980s created the crises that goaded many nascent entrepreneurs into action. Inspiration may be a by-product of desperation.

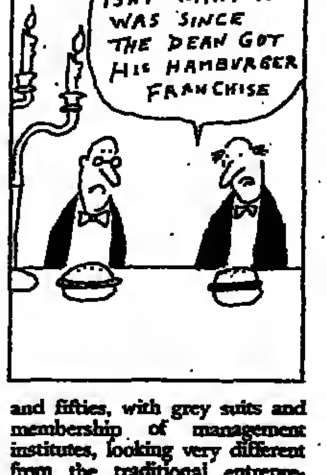
It is probably also true to say, however, that a log-jam was already developing amongst British managers. Large companies had been recruiting more and more bright graduates from the rapidly expanding universities through the 1960s and the 1970s, and a whole new business services industry was developing, based on phenomenal growth sectors such as information technology, the media and financial services.

Given the right trigger the hidden entrepreneurs were bound to come bursting out of their corporate straightjackets.

And out they came, often mature managers in their forties and fifties, with grey suits and membership of management institutes, looking very different from the traditional entrepreneurs, but needing to show the very same characteristics of toughness, self-reliance and aggression. It is not just a question of being your own boss. You must also be prepared to be somebody else's boss. Entrepreneurs often come in teams these days, but there has to be a leader.

Unlike a previous generation of entrepreneur the 1980s version came with a list of qualifications and was backed by a glossy business plan drawn up by accountants. That is the modern style, but is there really such a difference? After all, say venture capitalists, education may provide a useful veneer, but what counts is what is underneath.

An entrepreneur must be able to fight, to be at his most competitive in adverse circumstances.



That is today's message, because after the fat years of the late Thatcherite period has come another serious recession, which poses dangers for many, but for the battling entrepreneur just might throw up the new opportunities which could make his fortune during the rest of the 1990s.

Whatever the current economic difficulties, an enduring legacy of Thatcherism is that the British entrepreneur has become halfway respectable. The civil service has faded in prestige and the importance of business has become at least partly recognised in establishment circles.

Both Oxford and Cambridge are swallowing their prejudices about the vulgarity of "trade" by setting up management institutes and proposing to issue MBA degrees. And in science and business parks surrounding our universities there are the first homegrown examples of that alien American breed, the entrepreneurial professor and business boffin.

Even in such elevated circles can be found the basic instincts of the entrepreneur, which never change. He must want to make a lot of money, he must want to build something, and he must want to prove something about himself.

Today's entrepreneur has a different face and a more modern style, but an unchanging character.

INVESTMENT CAPITAL: THE RIGHT ENVIRONMENT

Tom Peters, US apostle of managerial innovation says:

Failures are essential in a healthy economy

MY VIEW of the world is doubtless coloured by 25 years of residence in Silicon Valley. Though *In Search of Excellence*, my meal ticket for this past decade, purports to reveal secrets for eternal corporate life, Silicon Valley's success secret is death.

The engine of vital entrepreneurial economies is business failure. The downfall of non-entrepreneurial economies is a shortage of business failure, an absence of corporate death.

IBM, after several fallow years, may – just may – be returning to health. If so, it's hardly thanks to Siemens, Philips, AT&T's computer division, Fujitsu – or even Digital Equipment or Cray Research. Instead, IBM owes any brightness on its horizon to competitive stimulation from the likes of Sun Microsystems, Compaq, Apple, Dell, Mips, Sequent, Convex – and a hundred others whose names may be unfamiliar to you, and to the author, despite that quarter century of continuous abode in Silicon Valley.

F.A. Hayek, economics' twentieth-century Adam Smith (and the 1974 Nobel Laureate in Economics), is clear: (1) the power of the market economy is its incomprehensibility; (2) the market economy is not "fair" in its choice of winners and losers.

The April issue of a new "insider" Silicon Valley magazine, *Upside*, is revealing. The lead article covers a battle of technologies between Applied Materials (recently an upstart, now the "establishment") and two genuine upstarts, Genus and Novellus Systems, for U.S. semi-conductor equipment pre-eminence.

Applied Materials is a national treasure! Should we try to protect it, if the neighbourhood newcomers make serious inroads into its market? One prays that we don't. If Applied Materials' time has come, courtesy of competitor prowess, then it should be allowed to fade away.

April's *Upside* also features an interview with Mips Computer chief Bob Miller. Mips is the surprising front-runner in microprocessors based on Reduced Instruction Set Computing (RISC). The battle between RISC and Complex Instruction Set Computing (CISC) is arcane to any but insiders – but tens of billions of dollars are at stake. My point: Silicon Valley (and the U.S.) is blessed to have the likes of Mips, which is pushing so many others, any number several times its size, so hard, so fast.

All of this churning is astonishingly productive – in both efficiency and effectiveness terms – even though many newcomers and oldsters fall by the wayside in the process. As noted, the process is incomprehensible *and* unfair. The race doesn't always go to those who train the hardest. Winners tend to train hard – but mainly they are the lucky ones in "the right place at the right time." But the only way, nationally, regionally, or on an industry-by-industry basis, to have a lot end up in the right place at the right time is to have numerous energetic players trying, failing, dying, churning to begin with.

Hayek has contemporary company. Harvard Professor Michael Porter's monumental 1990 book, *The Competitive Advantage of Nations*, examines 70 industries in 10 countries. The 855-page masterwork can be boiled down to three words: "vigorous domestic rivalry." From Japan to the U.S. and Sweden, national success in a given industry occurs when many local (geographically bunched) rivals – producers and suppliers – are going at one another hammer and tongs.

No case for propping up failures

The work of Cornell Professors Michael Hannan and John Freeman is not as well known as that of Hayek or Porter. That's too bad. Their dense treatise, *Organisational Ecology*, sums up an extraordinary, 10-year research programme which applies rigorous, mathematical population-ecology models to the world of organizations. The authors conclude that there is much change afoot in the world of organizations – but it's at the population level, not within the individual outfit. Organizations are born and organizations die in surprisingly high numbers. But those that succeed are unlikely to change very much.

The implications are obvious: those nations which expend relatively more energy on the dynamics of population of companies – for instance, ensuring conditions that foster lots of corporate births and tolerate lots of corporate deaths – will surpass those who squander their national resources on propping up yesterday's definitionally mal-adaptive league champions.

I am not bereft of hope for the giant firm. But my recent attention has turned almost exclusively to how it can, as I have said elsewhere, "violently inject market forces into its midst." One strategy is to force all subsidiary units, including staff and subcomponent arms, to sell a sizeable share of their goods or services outside the firm, to constantly be required to prove themselves by the test of the marketplace.

Financiers may not be loved, but they are essential!

On the one hand, such ideas are timeless. On the other, they have never been more timely. Every industry is yielding to fashion's whims. Product and product-family life cycles are shrinking dramatically for running shoes, grocery products, computers, bio-technologically-based drugs and software, of course. But the story is the same for the likes of chemicals, too – special application products are coming to dominate the industry, and they are more likely to be sold by the beakerful than by the railroad-car load these days.

What the Japanese have labelled the "constantly launching new products period" stretches forward as far as the eye can see. And in a competitive world gone bonkers, corporate death is more important than ever before. Perhaps the Japanese can learn to deal with the "constantly launching new product period" by teaching its elephantine firms to dance. If so, more power to them. But I wouldn't bet on such an elixir working for the British, already over-dominated by big firms relative to others, or the Americans. Given a shabby track record in mega-firm rejuvenation, Britain's and America's economic future arguably lies with new business generation more than with existing business salvation. That, of course, leads directly to the role of vigorous financial markets.

Bankers and financiers don't win popularity contests. Never have. They make profit for themselves via a curious process that defies ready explanation – and doesn't include "making anything" in agrarian or industrial terms. The process – and profit – seems dishonest because of its ethereal nature (a pure play on information). Yet it is our financiers who end up providing motive power to that incomprehensible, Hayekian competitive jungle gone increasingly mad.

The largely unsung economic history of the United States is as much the saga of financial entrepreneurs as noble tinkerers, though only the latter smile down from statues, built to themselves. In the little American dust-up over independence with the British two hundred years or so ago, a private financier, Robert Morris, was arguably as important as General George Washington to the final result: he raised the funds to obtain the guns. Morris also pocketed a handsome profit along the way, and thence earned the lasting scorn of his countrymen for his troubles.

In fact, financiers have done their duty most effectively in tumultuous times. The '80s are the most recent case in point. When emotions have cooled, in a decade or two, it's likely that high-yield securities ("junk-bonds" – what else!) will be seen to have paved the way for a necessary, bloody, and astonishingly rapid clean-up of bloated American industry.

While junk bonds helped some of the ailing elderly toward renewed life (usually by forcing useful, focused units to be spun away from unuseful, centralised – Marxist? – corporate bureaucracies), an equally or even more vital role was played by other financiers – a mass of venture capitalists and the unheralded thousands of aunts, uncles, moms, dads, doctors and dentists who fuelled America's small-firm resurgence.

While I am a corporate critic by trade, I am far from pessimistic about my native land's economic future. My non-pessimism (I won't go so far as to label it optimism) is largely a product of believing in our continued, relative entrepreneurial vitality. That vitality is one part "national animal spirit," one part "entrepreneurial infrastructure." The former is a long-standing national strength in the U.S., pepped up in the '80's by Ronald Reagan (despite his many other failings). The latter includes tens of thousands of self-help courses and start-a-business books, a rich and growing network of business interdependencies (all firms are on the lookout for efficient and effective subcontractors, regardless of size) and, above all, financial entrepreneurs.

Volatile times in the marketplace call for volatile responses from the population of corporations as a whole. The key ingredient for addressing volatile circumstances is lots of tries, lots of starts, lots of failures, lots of deaths – within an overall scheme that will constantly maintain the unfathomable brew at the boil.

In his first published article since leaving Downing Street, **Brian Griffiths,** head of Mrs Thatcher's Policy Unit, 1985-90, assesses the Enterprise Economy of the 1980s – and the priorities for sustaining it in the 1990s

Please don't trample on the roots of enterprise!

JUDGED by productivity growth, output and investment the 1980s were a success story for the British economy. After two decades of drifting to corporatism and increasing state intervention, the Thatcher government succeeded in reversing the trend and created an enterprise economy.

The foundation lay in the overall framework of policy – the Medium Term Financial Strategy. Control over money supply growth, limits to public spending and targets for public borrowing, as well as the obvious determination of Mrs Thatcher to change attitudes, encouraged enormous confidence among investors.

Through a whole series of separate measures the government took major steps to create an enterprise economy. It privatised state industries, contracted-out local authority functions, reformed trade unions, attacked restrictive practices, created enterprise zones and development corporations, extended share ownership, and abolished wage, price and foreign exchange controls.

It worked. Throughout the decade more than 1¼ million people became self-employed, and more than 350,000 businesses were established. These in turn became the major vehicle for job creation. A genuine venture capital industry was created. At the root of this was a fundamental change in attitudes.

The most difficult area to penetrate was education and training. Yet local employer-led Training and Enterprise Councils (TECs) have been established as a national network to deliver government funded training programmes; training credits (vouchers) are being provided for school leavers on a pilot basis; and at the school level TVEI, Compacts and City Technology Colleges have been established.

Some of these policies have been more successful than others. Much still remains to be done. Yet despite the current recession, these enterprise initiatives give the British economy greater underlying strength than it had 10 years ago.

The challenge we now face is how to sustain this enterprise culture throughout the '90s.

Government was critical to establishing the enterprise culture; and government is critical to sustaining it. To do so it needs to set a number of priorities.

The bedrock of the enterprise economy remains the defeat of inflation and a commitment to lower taxes. Inflation destroys an enterprise culture. New firms facing unexpected and unpredictable interest cost increases simply go out of business.

Control of inflation has proved far more difficult to achieve than the introduction of any number of enterprise schemes involving extra public spending. Inflation is now falling and our membership of the ERM is a way of locking inflation in at a lower rate. The economic case for entry to the ERM was the same as that for joining a gold standard. In the ERM the Deutschemark, not gold, provides the anchor for low inflation.

The last thing we need at present is a devaluation of sterling. The burden of adjustment must be with companies and trade unions in setting wages. Less talked about, but equally important, is the adjustment needed by government – namely tight control of public spending. As always, there are a myriad of reasons for extra public spending – especially to areas such as infrastructure and training. But with so many siren voices demanding extra spending in so many different areas, the government will find itself under enormous pressure to give way in the next eighteen months. If it does, then far from strengthening the enterprise economy, it could well undermine it.

Privatisation means a new culture

In all cases where companies have been privatised, the culture of the business has changed and efficiency improved. Yet consumers want lower prices and increased choice. They will receive maximum benefit from privatisation only if it is accompanied by competition. In nearly all privatisations, government has taken action to increase competition, but in certain areas, such as gas, there is still a long way to go. The White Paper on telecommunications and the CAA report on aviation are welcome moves in the right direction. Higher water prices are to pay for a heavy investment programme which was neglected for years.

Increased competition should also be integral in any proposals for privatising coal, and rail, and liberalising the Post Office. No government can ever afford to be complacent over competition and de-regulation. In no other area are the forces of inertia so great. Perhaps the most salutary example has been the fate of the Enterprise and De-regulation Unit which has simply become domesticated in Whitehall.

Contracting-out by local authorities could be extended from blue collar areas such as rubbish collection to white collar areas such as management of the housing stock, advisory services to schools, and the careers service. The responsibility of the local authority would be to see that these services are delivered at certain standards rather than supply them.

A further development of the contracting-out principle, in which contracts would be for a longer time, would be in such areas as waste-to-energy projects, light railways, toll roads and municipal airports.

Allowing public sector bodies access to the capital markets would have enormous attractions. Take the case of universities and polytechnics. Over the past decade universities and polytechnics have increased their income from private sources yet morale remains poor. Future growth is still constrained by government controls over funding. This situation could easily be changed. All higher education institutions could be given total ownership of their own properties and freedom to borrow on the capital markets (either singly or in groups) against private income or property. Government would continue to fund basic research, but through the capital market these institutions would be able to fund a key part of their own development and share the rewards and risks of enterprise.

Higher education is just one area: another is the national health service.

Encouraging individuals and families to increase savings is fundamental to sustaining the UK enterprise culture. Yet the present taxation of savings is full of anomalies, despite recent attempts to change it. PEPs and TESSAs are moves in the right direction but the government must tackle the disadvantage to the average family of investing in securities and the problem of increasing concentration of equities in the hands of the institutions. The ultimate aim of policy should not be just to reduce taxes on savings but to abolish them.

Much has already been achieved in bringing schools and business closer together. We teach more personal finance and enterprise in schools and have introduced compacts between pupils and potential employers.

Corporatism must be resisted

But education reforms which extend parental choice, introduce testing, develop different kinds of schools, and give greater autonomy to schools remain the way to raise standards, improve technical education and develop children to their full potential. All who leave school at 16 should be provided with training credits, cashable at accredited institutions (including companies) while TECs must be given much greater operating freedom than they now have.

The '80s proved a turning point in developing enterprise in Britain. The enterprise culture is not dogma. It is the engine driving prosperity – to the advantage of all. The '90s could be even better but only provided we resist the corporatist challenge and strengthen the roots of enterprise.

Lord Griffiths of Fforestfach, *who was Dean of the City University Business School, 1982-1985, is now International Adviser to Goldman Sachs.*

Increasingly, investment capital facilitates the break-up of large corporations into units better fitted to compete in today's conditions. The doyen of American management writers **Peter F. Drucker,** describes an historic US trend

Midsized is beautiful

THE BIG companies dominate the headlines. But midsized businesses are fast replacing them as the engines driving the American economy.

Between 1985 and 1990 American manufactured-goods exports rose by more than 80 per cent in volume; those to Japan actually doubled. Yet, only two of the nation's biggest companies, Boeing and General Electric – selling airplanes and aircraft engines, respectively – significantly increased exports. The rest of the growth – the fastest ever recorded in peacetime America, and one of the fastest in any country's history – was contributed by medium-sized firms with sales (in 1990 dollars) of more than $75 million to less than $1 billion.

Since the 1987 stock market crash, big businesses across the board have steadily cut employment. Indeed, for the first time since the Great Depression, big businesses have been laying off white-collar people in large numbers. Yet, until the second half of last year, total employment still grew faster than population and unemployment remained at a boom-time low. At least 75 per cent of America's almost explosive employment growth since 1975 took place in midsized businesses.

During the past decade or two, midsized business has become more competitive and big business less competitive. The handicaps under which midsized business used to labour have largely disappeared. Above all, now that a managerial or professional job in the big company no longer promises life-time security as it did only 10 years ago, midsized companies are fast becoming the employers of choice for many of the ablest young people.

But more important than the strengthening of the midsized firm is the decline in the advantage of being big.

The manufacturing companies that dominated their industries during the past hundred years – GE, Siemens and Philips; Proctor & Gamble, Unilever and Nestlé; Du Pont, Hoechst and ICI; International Harvester and International Paper; the Standard Oil companies, Shell and Texaco; GM, Ford, Fiat and Daimler-Benz – were all built on the same conceptual foundation. And so was the Bell Telephone System. To each industry, the theory asserted, belongs one clearly delineated technology. It generates all the knowledge needed to lead the industry. In turn, whatever knowledge comes out of the industry's specific technology will become a saleable product for the company. And there is, the theory asserted further, very little if any overlap between different technologies and between different industries based on them.

Everything overlaps nowadays

This theory still underlay the rise of the very big companies of the post-World War II period, such as IBM in the U.S. and Matsushita, Hitachi and Toyota in Japan.

A parallel theory underlay the rise of the large retailers, such as Sears Roebuck in the U.S., Marks & Spencer in Britain, and the department-store chains in the U.S., Western Europe and Japan. They assumed homogeneous but totally distinct mass markets, again with little overlap between them. Everything bought by a customer within one of these markets would belong in the same value category, in terms of price or quality or life-style appeal.

This theory enabled the successful retailer to change from being a "distributor" of goods designed by outside makers into being a "buyer" who creates and designs the goods he sells – the pioneers were Sears and Marks & Spencer in the '20s and early '30s.

No new theories on which a big business can be built have emerged. But the old ones are no longer dependable. Technologies are no longer discrete. They overlap and criss-cross each other. No industry or company can be fed out of one technological stream.

Conversely, one technology no longer feeds only one industry. Much of what the research labs of the big companies are now discovering finds its major application outside of the company and even outside of the industry. "Industry" is becoming a very fuzzy term indeed.

The assumptions on which the big retailers have been operating no longer hold. There is increasing segmentation in all markets, and increasing overlap and criss-crossing between them. No one, for instance, in the office-furniture market could tell any more what is industrial, wholesale and retail.

Big businesses are not going to disappear. On the contrary, we will need quite a few big businesses, some even bigger than anything we have today. Information and money are becoming increasingly global. New challenges, such as the environment, demand the kind of transnational work that only very big enterprises can perform. And there are many products and services that can be supplied efficiently only by big organisations.

Global competition in high technology almost certainly requires bigness. The competitors threatening America's global position in high-tech industries, whether semiconductors, computers, factory automation or high-resolution TV, are not lonely garage mechanics. They are multi-billion-dollar giants. And the only American companies that have successfully fought them so far are very big companies – IBM, Intel, Motorola and Xerox, for example.

The challenge, therefore, is for the corporation to learn how to be competitive despite being big. This means becoming market-driven. It means building into the company's system an organised abandonment of yesterday's products and technologies. It means organising the whole business around innovation. Big businesses will have to become not only better but different. "Synergy" will be out. The more clearly a business (especially a big one) is focused on one product range or on one market, the better it is likely to do.

Another implication: whatever diversification a big business needs – e.g. to gain access to a different technology or a different market – is better achieved through strategic alliances, such as partnerships, joint ventures and minority participations, than through acquisitions or grass-roots developments.

Finally, decentralisation is no longer enough for a multiproduct, multitechnology, multimarkets company; the various units have to be set up as truly separate businesses. This is what GE, for instance, is trying to do in setting up 13 "Strategic Business Units." One might go a step further and organise the big business the way GE's European counterpart, Siemens in Germany, is organised: as a "group" in which each business is a separate company with its own CEO and board.

Bigness will no longer be desirable in itself. It will have to serve a function. For 100 years superior performance went with being the biggest in a given industry. From now on it will increasingly mean being the 'right' size. And in most fields this will mean being midsized.

The shift from the big to the midsized enterprise as the economy's centre of gravity has been all but ignored so far by economists, politicians and the media. It may well, however, have been the most important economic event of the past 20 years.

Mr. Drucker *is a professor of social sciences at the Claremont Graduate School in California. This article previously appeared in* The Wall Street *Journal.*

INVESTMENT CAPITAL: THE CONTINENTAL SCALE

The evolving face of European capital

Suddenly, debt isn't so attractive for a growing business

THE PRACTICE of raising capital by issuing additional equity was almost unheard of among private companies on the Continent until recent years. Unlike post-war businesses in the UK, which had grown up reasonably familiar with equity investment, the unlisted Continental business has typically been family run and financed solely by bank loans.

By the late 1980s this resistance on the part of Continental businesses to parting with equity was dissolving rapidly. The heady growth of the venture capital industry in the UK during the last decade had a lot to do with changing attitudes on the Continent. As more and more British investors outgrew their domestic market and crossed the Channel in search of new deals they were showing up the limited range of corporate finance skills amongst their European neighbours.

by

MAURICE ANSLOW

Suddenly private businesses no the Continent realised they were squaring up to compete on an international basis with companies which were arguably more financially robust due to the greater equity component in their balance sheets. Many post-war businesses were also facing up to succession problems which argued for new ways to finance a crop of management buy-outs. A growing acquisitive trend in private businesses trying to gain entry into other European markets ahead of the completion of the Single Market also called for new financing tools. There was too, perhaps, a realisation that the "universal" bank which could service all of a company's requirements from finance to management counselling was no longer the ideal for a private company in a more competitive and complicated age.

By the end of the 1980s the venture capital industry in Continental Europe had almost caught up with the pacesetters in the UK. In 1989 5,813 million ecu of new venture capital was raised in Europe with the UK accounting for 55 per cent, according to the European Venture Capital Association. In the same year the EVCA records that 4,271 new investments were made by all types of venture capital investors in Europe with the UK accounting for 57 per cent of that number.

'Succession' issues mean more MBO opportunities

In the next few years the momentum behind venture investing in Europe means that the UK share of the industry will continue to diminish. But whereas UK venture capitalists are keen to continue their expansion onto the Continent, the style of investment and the type of opportunities available will by no means be a carbon copy of what has happened at home.

The first rush of venture capital into Europe has tended to focus on opportunities for buy-outs and buy-ins and solid, middle-of-the-road development or expansion capital deals. In 1989 1.9 billion ecu, 45 per cent of European venture capital investments that year, went into buy-outs with another 1.7 billion ecu going into expansion deals. Because of their smaller deal size, expansion investments at 2,974 represented 55 per cent of all European venture investments by number last year while the 1,098 buy-outs recorded represented just over 20 per cent.

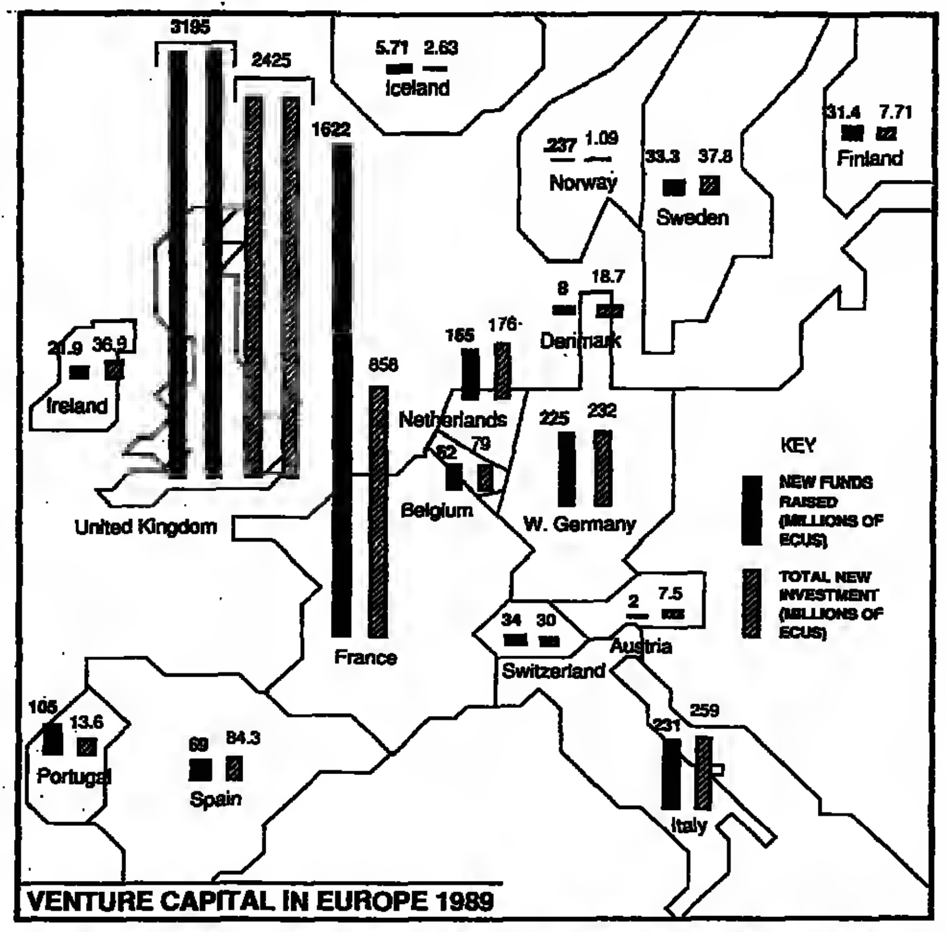
On the face of it, Continental buy-outs look likely to increase in number in the next five to ten years. In Germany, for example, it is reckoned succession problems will mean that one in five of the 20,000 private companies with a turnover of over DM10 million will witness ownership changes in the next five to eight years.

There were 64 investments in buy-outs in Germany in 1989 – almost double the number of the previous year. But it is still uncertain whether the German buy-out market will reach the same heights as in the UK and France. Buy-out specialists operating in Germany have found that private companies often lack the depth of management which is required to assemble a buy-out team. Here it is the buy-in, where new management is financed to take over a company, which may prove the more attractive deal in the longer term.

In France there has been a plethora of medium-sized buy-outs involving family businesses. In 1989 there were 263 investments in French buy-outs involving a record investment of FF1.7 billion. But MBOs are not the only focus for equity investment as they only represented 18 per cent of the total 1,452 "venture" investments in the country during 1989. 3i's French operations,

When families look to preserve independent status

for example, made just five MBO/MBI-style investments in 1989/90 with the other 17 going into straight development capital or share purchase transactions.



VENTURE CAPITAL IN EUROPE 1989

The UK holds the leading position in employment of the types of capital covered in the statistics of the European Venture Capital Association, with France in second place. As the bars show, the UK raises more capital than is invested within its frontiers. Investment overseas is a significant source of revenue.

The Italian MBO market has also shown strong growth with about 1 billion ecu of deals recorded by mid-1990. During 1989 some 19 million ecu were invested in 38 MBOs. Buy-outs in Italy have tended to be held up by legal restrictions and the market has, so far, been dominated by the larger deal with foreign investors taking majority stakes. There seems to be considerable scope for the smaller MBO in Italy where families want to ensure independence for the company.

In Spain the buy-out phenomenon has yet to take a firm grip, largely because of the lack of financial infrastructure in the country and the high gearing in the balance sheets of private, family-run companies. In 1989 there were just 26 investments in buy-outs in Spain out of 147 venture-style investments.

But Spanish businesses are probably more conducive to equity financing at the moment than many elsewhere in Europe and there is confidence that the talented generation of future managers currently graduating from Spanish business schools will help transform the prospects structuring equity deals in the coming years.

Despite the prominence of buy-out transactions in Europe recently, most venture capital organisations realise that equity capital has a wider range of applications. The big buy-outs may get most of the publicity but in 1989 there were over 1,100 investments in European seed or

Prejudice against the straight equity investment

start-up businesses receiving equity backing according to the EVCA, and around 3,000 businesses received expansion or replacement capital. There is also a desire on the part of many investors to pump venture-style equity money into those small capitalisation quoted companies who have found it difficult to raise additional capital through conventional rights issues.

The style of equity investment into Continental businesses is, if anything, more flexible than has been the case in the UK. Investors have learned that they often have to offer a mixture of equity and convertible loan to overcome some of the prejudices against straight share deals on the Continent. In France, for example, there are certain tax advantages which the convertible bond has over equity and in Germany the market has come to favour 50/50 debt-to-equity type deals. In Italy there is a resistance to the idea of paying dividends against equity holdings and so, again, investment packages which offer a mixture of equity and debt are the most attractive.

British lenders have mixed feelings about extending loan facilities to Continental businesses because it is normally impossible to obtain the same type of security enjoyed at home. But in general European businesses have become more conscious of gearing levels and grown more cautious of debt as a form of expansion finance. The spread of equity-style investment in private companies will be just one of the many features brought about by the greater uniformity of business practice coming about across Europe.

Maurice Anslow *is Editor, UK and European Venture Capital Journals, Venture Economics Publishing.*

Euro-enterprise

When family firms need a new shape

AT LEAST two important forces are at work changing ownership patterns of businesses in mainland Europe in the 1990s. One concerns ownership of family businesses. The other arises from the ambitions of professional managers to become entrepreneurs.

Collectively, the independent company sector faces a succession problem. Many businesses which emerged in Europe after 1945, and have remained substantially as family businesses, have now reached the stage when there must be a change of ownership.

In France, where it is estimated that up to 55,000 independent companies change hands each year, three quarters of these changes are said to be due to succession problems, and 30,000 French companies are said to disappear each year as a direct result of failure to deal with succession issues.

According to the CEPME (Centre de Petites et Moyennes Entreprises), one to two of company sales takes place because there is no successor with the family.

This figure helps to explain why investment capital techniques developed in the US and Britain are now beginning to find favour in France as a means of preserving company independence. Family businesses have often lost that independence due to ignorance of the options open.

In this context, one of the simplest and most effective uses of investment capital to emerge in France, and other parts of Europe, is the private placing. This enables a family shareholder to withdraw from a company without provoking a capital structure crisis, by transferring his or her shares to an investment capital company or other institutional investor. Stability is maintained, or restored, in what otherwise might have been a disruptive situation.

The succession issue has common features around the globe. One feature, drawn from the

Shareholders reluctant to let go of equity

folklore of northern England, is the "clogs to clogs in three generations" syndrome – the founder creates a business; his sons build it up; his grandsons dissipate it. That doesn't always happen, but it can happen often enough to be worrying.

In talking about succession planning, it is important to realise that it is not simply a question of tax planning for a family business whose owner dies. The share structure of the company is at the heart of the issue.

Other uses of investment capital, apart from the private placing, can provide a solution for succession problems. One is the management buy-out, another is the management buy-in. Any of these can deal with the restructuring of the shareholding base in independent companies at points where they face important change.

Trigger points happen for a number of reasons other than the death or retirement of the owner. It may simply be the need for expansion capital which is not available from familiar sources.

The scope for this use of investment capital is obvious in France – and in Spain and Italy with their tradition of independent companies. Clearly, providers of such capital have the task of persuading fiercely proud and private companies of the catalytic effect that an external (minority) investor can have on the company's outlook and ambitions.

Investment in the solution of succession problems is clearly a major source of activity for capital providers. Less extensive (at present) but still a vital factor in the restructuring of companies can be investment in the ambitions of managers wishing to achieve independence.

"Breaking out" – the phenomenon which was very much part of the British Enterprise Revolution of the 1980s – has reached mainland Europe. This was the finding of a survey,* covering three Continental countries as well as the UK, which suggests that a growing number of experienced European managers are set to leave the security of large corporations in favour of the independence of their own business – the trend which was seen by many people as marking the development of an enterprise culture in the UK.

The survey, covering 640 com-

'Risk' no longer a dirty word for managers

pany directors in the UK, France, Germany and Italy, showed that more than 85 per cent felt the break-out climate had become more favourable in a decade.

Whereas their UK counterparts favoured the management buy-out as the most likely means of achieving independence, European managers tended to see their ambitions in terms of the business start-up.

Asked to account for the change in attitude, 3i's Managing Director for International Investment, Dr Neil Cross, pointed to the widely promoted availability of funds and to changing cultures. "For too long entrepreneurialism has been tarred with the brush of amateurism. Now risk and enterprise are no longer dirty words for more and more European managers."

Changes in culture in favour of risk taking had emerged strongly in the survey in Italy and the UK, he said. There was also widespread agreement that more companies were adopting divestment as a corporate strategy and that this was creating opportunities for managers to buy non-core divisions of larger groups.

"What is striking about all of these results are the similarities in attitudes, across the four countries, to the idea of managers owning their own business with the backing of an institutional investor. This is surprising in Continental Europe, where the investment capital model which we now take for granted in the UK has only really started in the past four or five years to find acceptance.

"This augurs well for the economies of Europe where the small to medium-size sector is expected to provide greatest growth prospects."

Sharp national differences emerged in the survey, which is the first international comparative research into attitudes to "breaking out." Freedom from autocratic methods was cited by a large majority of French respondents as a reason for setting up, while in Germany managers were more likely to set up on their own because of frustration at missed career opportunities. The majority of respondents, particularly the British and the Italians in the survey considered that relations and friends should be avoided as potential sources of funding for break-out.

**Attitudes to Breaking Out in Europe, by Graham Bannock (3i 1990).*

Robert Pringle examines the background to a great EC success story

The German growth formula is changing

GERMANY, the dominant economy of Europe, depends on a strong currency and a strong and well-tried financial system. But the system is beginning to change, under the impact of German re-unification and the increase in real interest rates.

The traditional pattern of industrial and commercial financing, which has served West Germany well since the war, has these characteristics:

- Close links between banks and industry
- A greater reliance on debt finance than in the UK
- A relatively small number of companies quoted on the stock exchange

The latest available Bundesbank's annual review of the profitability and financing of German enterprises portrays a picture of strong yet balanced expansion along traditional lines. German companies of all sizes are very highly geared by UK standards, with own capital on average equivalent to only 19 per cent of total balance sheet assets – and debt three or four times capital.

In 1989, long and short-term debt increased by about 10 per cent, while own funds increased by only 7 per cent. Yet the Bundesbank could talk of the "consistently good liquidity position" of German firms because the massive increase in corporate profitability during the 1980s allowed substantial additions to corporate financial assets, which rose nearly 12 per cent in 1989.

Even before the unification of the two Germanys, there were signs of an incipient change. German capital markets were not immune to the influences affecting international markets during the decade. There was a rapid growth in mergers and acquisitions, though hostile bids continued to be eschewed; acquisition spending totalled nearly DM 19 billion (£6.3 billion) in 1989, up 55 per cent in two years. Management buy-outs and buy-ins became accepted vehicles for corporate restructuring. As elsewhere, booming stock markets encouraged the gradual development of second-tier markets in unlisted stocks.

As in other countries, there was a boom in new company formations. The number of VAT registered traders increased by 14 per cent in between 1980 and 1986. The "SME" sector – small and medium enterprises – increased its contribution to the economy even more, to reach an estimated 36 per cent of gross domestic product (and nearly half of private sector output). Recent research has indeed confirmed that SMEs play a significantly greater role in the German economy than in that of Britain – not because there is a greater number of such firms but because on average they are larger in Germany.

Notwithstanding these changes, the traditional pattern of industrial and commercial financing has continued. The links between banks and industry can be exaggerated. Direct shareholding by banks in industry is mainly confined to very large companies.

Support for small companies and high-tech companies takes the form of a ladder of support facilities ranging from small (up to DM.1 million) loans and grants under the European Recovery Programme (administered by the three publicly-owned banks), through support from such institutions as the Kreditanstalt fuer Wiederaufbau (the publicly-owned banks run on a commercial basis which lend to companies with turnover up to DM 500 million) to private institutions such as the Industrie Kreditbank – owned mainly by the big banks and insurance companies – which has 7,000 medium-sized companies among its clients lending about DM 2 billion a year in new money.

Three factors among others have started to change this pattern. First has been the re-unification of Germany, second the steep rise in real interest rates in Germany and thirdly the need for German industry to gear up for the coming of the single European market in 1992. In combination, these factors have given rise to an almost frantic search for new sources of investment capital.

After all the setbacks and disappointments attending re-unification, bankers and providers of investment capital have begun in the last few months to stress the opportunities rather than the difficulties. Four new capital funds have been started this year alone to finance operations in the five new eastern Lander (bringing the total number to seven). The Dresdner Bank subsidiary, for example, is already talking with 35 East German companies on possible management buy-outs and other forms of financing.

Berlin and the eastern part of Germany are also seen by many European and US companies as Europe's main gateway to eastern Europe, the Baltic States and the Soviet Union, where the demand for investment capital is limitless in the long term and significant even in the short – notably in Poland.

The financial pressures resulting from re-unification are also straining the budgets of the Federal Government and individual Lander – and this is placing new constraints on the funding of their programmes to assist small and medium-sized companies. The pull of the East on the available resources – whether of risk capital or grants and soft loans – is likely to remain strong. So high-growth companies in western Germany are facing much more competition for such financial resources.

The move to a high interest rate regime by the Bundesbank, which has made clear that no large reduction in rates can be expected for some time, is causing many German companies to look again at the adequacy of their capital base. Fast-growing companies in particular are anxious to secure their credit-worthiness and limit their recourse to new bank lending at a time when interest payments on existing debt have risen steeply.

Normally high-growth companies rely on debt for more than 50 per cent of their financing needs – and short-term financing is often the largest part of this. But financing behaviour that was sustainable when interest rates were 5-6 per cent is often not tolerable with lending rates at 12-15 per cent. This is another factor fuelling the demand for investment capital.

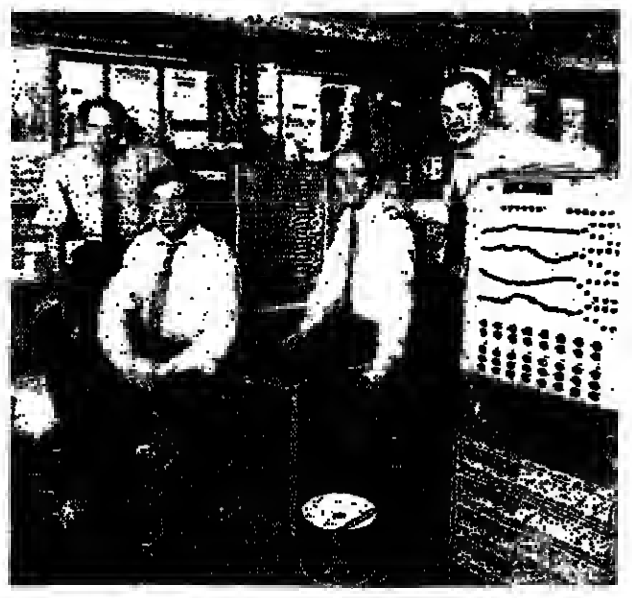
A special influence affecting the German investment capital market is the so-called "succession problem". Many of the original founders of successful firms set up in the 1950s and 1960s have now reached retirement age; in the past their only option, if there was no successor in the family, was to sell out to a trade buyer. The unlisted securities and over-the-counter markets have grown but remain relatively underdeveloped, due mainly to the tax disadvantages associated with the legal form of public limited company. With about 4,000 founder-entrepreneurs expected to retire in the 1990s out of a total medium-sized company sector of about 20,000 companies, there are obvious opportunities for institutions willing to invest in such companies.

Given the pressures on the traditional financing sources available to high-growth companies in Germany - and the opportunities in the East – annual growth rates of 25 per cent can be expected for at least in the short to medium-term. Although the German investment capital industry remains smaller than that of its counterpart in Britain, it is plainly set no a path of rapid growth.

Robert Pringle *is a director of Graham Bannock & Partners Ltd. and editor of Central Banking.*

Germany's manufacturing achievement since the post-war "economic miracle" has been the envy of other countries. But the way it has been financed has to evolve.

Investment capital has enabled many UK companies to structure themselves so as to strengthen their international dimension. With a worldwide reputation built up since the pottery was established in 1809, Denby Tableware in Derbyshire eventually became part of the Coloroll group in 1987. When Coloroll went into receivership last year, the managers of Denby performed a management buy-out from the receiver, with the help of an equity and mezzanine capital package arranged in the Nottingham office of 3i. "As an independent company," managing director Stephen Riley says, "we are now concentrating on expanding our overseas sales and becoming less dependent on the UK market."



An entrepreneurial French company which has expanded to meet the challenge of 1992 with the help of investment capital is SCV-Audio. The company was founded in 1978 by four audio enthusiasts and is now a French market leader in distribution of specialist audio equipment, with a turnover of 103 million francs (about £10.2 million) and subsidiaries in Holland and Belgium. 3i invested in SCV-Audio in 1988. Reviewing the Group's experience in France, Dr Neil Cross, 3i's Managing Director, International, said: "Our experience there, and in Germany and indeed elsewhere overseas, makes us increasingly confident that the 3i brand of capital – long-term and non-interfering – can meet a real need in all the developed countries."

INVESTMENT CAPITAL: FUEL FOR GROWTH

Ewen Macpherson of 3i describes how management teams with a good proposition can choose among different sources of capital

The money is there

WITH all the attention focused recently on the high cost of borrowing capital, an important point tends to have been overlooked. There has in fact been no *shortage* of capital to fund economic growth in recent years.

It was not always so. This can be illustrated by quoting one set of figures. In the period of tight credit in the mid-1970s, it was necessary for large companies to pay two-and-a-quarter per cent over LIBOR for medium-term loans. The same company today would pay perhaps only a few basis points over LIBOR, though this has been increasing in recent months.

In 1981-82, some £6.5 billion was invested by companies in British manufacturing industry. In 1988-89 the annual figure had risen (at 1985 prices) to over £10 billion. The result was to be seen in the remarkable growth in the UK economy during the later 1980s. This total was all accounted for by what may be called "real" investment, not investment in transactions such as leveraged buy-outs or purchases of other companies.

The massive growth in investment reflected not only the increasing profitability of the company sector, but also the ability of the banks to increase the amount of debt they were willing to provide. A major factor here was the arrival of the Japanese banks. The Japanese – great savers, and with substantial surplus resources – were in a position to help fund the growth of the British and other economies of the Western world.

To put the capital supply situation into perspective, a distinction can be made between these areas:

Development capital. This covers capital to build new plant, re-equip factories, enter new markets, etc. One can identify a special category of very large projects which have attracted unusually large sums of investment capital recently: for example, the Channel Tunnel and Japanese car plants.

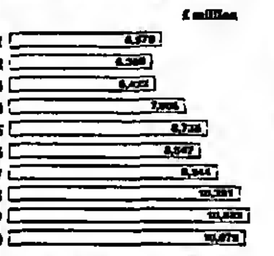
Transaction capital. This is capital to enable companies to finance changes of ownership, including management or leveraged buy-outs, which may lead to the company being split up or otherwise restructured. The value to the economy of some of these transactions, such as some of the big leveraged deals of the late 1980s, may be questioned. But it is important to note that corporate restructuring can be beneficial, indeed is often essential, in encouraging real growth, and is a perfectly legitimate use of capital.

Property development. Again, there have been excesses, but property investment and development is another important, legitimate use of capital. There have been some very large projects in this category of investment also: for example, London Docklands and Broadgate.

Some banks and some other suppliers of capital have tended to get their fingers burned in certain deals in the "property" and "transaction" categories of investment in the late 1980s. Many companies changed hands at unrealistic prices, fuelled by readily available debt: with the downturn in demand in many sectors, highly geared companies are having problems servicing debt taken on in the "boom" period. That is one reason why, in the early 1990s, the banks have had more conservative lending policies.

It is noteworthy that when the holding companies of conglomerates, such as Coloroll or British & Commonwealth, have failed, many of the subsidiary businesses have continued in a new form and with new owners and are weathering the recession adequately.

Fixed investment by manufacturing industry



All figures are indexed to 1985 prices.

One of the clearest lessons of the past year has been that over-reliance on debt brings trouble. Today, as always in the past, the most vital element in funding basic industrial growth is not loans but equity capital. Growth in listed companies during the middle and late 1980s was accompanied by an active share market.

The 'fund' method of investment

Turning to unquoted companies, there has always been a debate about whether they have access to the equity capital they need. The 1980s saw a spectacular increase in the availability of what came to be described as venture capital, although this was never an entirely satisfactory description. In the 1960s and 1970s the number of houses providing this kind of capital to companies without access to the capital markets could have been counted on the fingers of two hands (with most of the business being handled by ICFC), but today there are some 150 of them.

Although there are a number – perhaps 30 – of investment trusts providing this type of capital, many of the venture capital houses operate on what is called a "fund" basis: they manage a fund to which several institutions subscribe, including insurance companies and pension funds. The institutions came to see during the 1980s that there can be good opportunities for investment in the unquoted sector.

The problem for fund managers is the need to lock up their shareholders' capital for an indefinite period, whereas Stock Exchange investment provides for constant review of the portfolio. The solution has been for the fund to operate within a limited timescale – a maximum of perhaps seven to ten years.

This suits a young or growing company where the management has a clear strategy to make the company grow significantly over, say, four, five or six years and then to "exit" – to sell out either to another company or by going public. The shareholders hope to get their money back with a substantial capital gain.

The fund is thus realised within the period of seven years or so. Broadly speaking, a venture capital fund manager may expect to put together a new 7-10 year fund every two or three years in order to enable him to continue to respond to "deal flow," and as the investments mature, the capital is returned to the original subscribers.

These structures can have disadvantages, of course, if there are unexpected changes in conditions during the term of the investment, if the companies or the markets do not perform as predicted, or if there is a general downturn in the economy making realisations difficult. It is significant that some of these "fund" houses performed most vigorously in the expansive days of the late 1980s but have been less active recently.

The alternative method of conducting an investment capital operation (which is that used by 3i) is more long-term. Here the investment capital house is not managing a fund raised from other institutions: it is investing its own capital provided either by its shareholders on a permanent basis or from capital markets.

It will subscribe share capital in various forms of preference shares or ordinary shares, and its holding will normally be a minority one. The date of the "exit," if any, is determined by the majority of the shareholders. Indeed, there may be no commitment to an exit, so that the investment house is locked indefinitely into the investment. Naturally, the terms on which the investment is written will take account of this.

A common arrangement in a family or management-controlled company might be that the family or the managers hold something of the order of 75 per cent of the shares and the investor 25 per cent.

So it would be the family or the managers who determine the date of exit, if any.

This method of investment can be of value to a management team planning steady growth over a long term. From the point of view of the investing institution, it can be a profitable way of doing business – provided it has the resources to take the long view and the steady nerves needed to have faith in its original investment decision.

Where do such investment companies get their money? At 3i funds were originally provided by shareholders and subsequently from retained earnings: new investment is possible from the running profits on old investments and from realised capital gains where realisations have taken place. Further funds have been raised by borrowing on the international market, although 3i has not done this since it went to the Euro-sterling market in 1987-88: we have been able to meet the very large demand for our capital out of internal profits and growth.

Portfolio built up

Operating in this way, houses such as 3i can meet a very large part of the equity needs of the unquoted market. Even the largest investments can be handled, with syndication.

Over the years a long-term investor can build up an extremely valuable portfolio. There may be considerable scope for debate, of course, on how the portfolio is to be valued, when there is no active market in the shares of most of the investee companies concerned. Over time, some general guidelines for valuations have evolved.

I am sure, however, that, given the high quality of investment management, the long-termism of 3i's operation is a strength, not a weakness, and 3i has been able to increase its net asset growth at an average annual compound rate of around 20 per cent for following these long-term policies consistently over many years.

Ewen Macpherson is 3i's Managing Director (Finance and Planning).

There is a wheel of change in the affairs of men

Many are the uses of capital

THE STORY of capitalism is the story of change. It has been called economic Darwinism: the survival of the fittest applies to companies as to any other organisms.

Suppliers of capital have always had to be students of the process of corporate evolution and change: they know there are specific points of change where investment of capital is needed. These points of change include:

- When the company comes into being.
- When it experiences significant growth.
- When it moves into a new market.
- When it launches an important new product.
- When a company changes hands, or a significant proportion of its shares change hands.
- When a moderate-sized business becomes a big business, possibly a quoted company.

Suppliers of capital always ought to be studying not only the processes of change but the kind of people in whom they should invest. It is people who make change happen.

At the end of the 1980s – that decade of change – when 3i was considering the next stage of its strategy for investment in businesses, it came up with the concept of a "Wheel of Change in Business."

The starting point, shown in the yellow sector at the top of the wheel, is "Individuals." It is individuals who set up businesses. But they don't emerge from nowhere: the individual who is going to run his own business successfully probably learned his management skills by holding a responsible executive job in industry, so the wheel shows the individuals emerging from the mauve area of "Large Business."

During the Enterprise Revolution of the 1980s many executives in industry developed ambitions to become their own boss. Many of them moved into the blue area – "Getting into Business." Some of them started a new company. Others carried out a management buy-in into an existing company, or took part in a management buy-out of the company where they were already employee-managers. Any of these "points of change" needed capital to make it happen.

The next challenge takes the ambitious businessman into the green area – "Growing a Business." Growth may mean installing a new plant, or developing a new product, or moving into a new market, or acquiring another business to complement existing capacity. Further capital is needed at any of these points of change.

The next turn of the wheel is to "Change of Ownership." This again is a natural part of evolution. Change of ownership can occur in a successful business for a number of very good reasons which include:

- The founder may have reached retirement age.
- Alternatively, the businessman, still relatively young, may feel he has done what he wanted to do by setting up a successful company and will now realise the value of what he has created and move on. He may see this as deferred reward for the hard work he carried out, possibly paying himself only a modest salary.
- On the other hand he may wish to stay and make the company grow further, but meanwhile deserves to see some of the value of the company translated into cash in his bank account. He can do this by selling a proportion of the shares, on the open market or by means of a private placing with an institutional investor.

— by —

MORRISON HALCROW

Editor of the investment capital magazine QED, published by 3i

Whatever form the sale takes, it involves yet another application of capital.

The wheel now moves into the mauve to complete the circle. The successful company has graduated into the large-business category. With the injection of further tranches of capital it has grown organically and has probably grown also by acquisition of other businesses.

But the wheel never stops turning. The next stage can often be divestment.

Divestment has been an important recent feature of the corporate scene. In recession conditions, large companies have strengthened their balance sheets and reduced their debt burden by selling off subsidiaries.

Even without the challenge of recession, there are good reasons for divestment. Modern management thinking is emphatic that the best results come when a company concentrates on its core businesses, and sells off other subsidiaries or divisions which have become part of its structure as the company evolved over the years.

When divestment occurs, it provides opportunities for management buy-outs and management buy-ins – so we have come back to our starting point of managers in large companies who wish to break out of the corporate structure and run their own show.

The "core business" philosophy in large businesses also creates a climate conducive to business start-ups. As large companies withdraw from non-core activities they farm out various functions previously carried out in-house. This can provide scope for a host of small component suppliers and providers of a wide range of support services from window-cleaning to IT consultancy... ...We are back at the opportunities for individuals in the wheel of change – and the opportunities for providers of capital to support them.

The Business Wheel of Change is a convenient summary of the uses of investment capital and a useful reminder that, in a healthy economy, nothing stands still. It also illustrates how business growth depends on the right kind of capital being available to back the right individuals at the right point of change in their lives.

Ambitious managers can ask themselves: where am I on the wheel of change?

Is there a type of business that thrives on investment capital? One commentator on the business scene examined the 3i portfolio and found realistic, experienced management

A successful middle layer to the economy

3i IS unlike any other British organisation. Its sheer size and its long-termist philosophy set it apart from other members of the investment capital world. It is regarded as a creature apart – a giant to be lived alongside.

It is owned by banks, but it has a distinct culture – even the location of its headquarters, on the wrong side of the railway tracks at Waterloo, sets it apart from the City locations of its shareholders.

But it has played a crucial role in helping over 10,000 British companies grow since 1945. With UK clearing banks preferring not to become stakeholders in industry, the need for an equity-provider for small to medium sized companies has always been clear. Yet from the end of the Second World War until the last ten to fifteen years, ICFC, which became 3i, had the market virtually to itself.

Even though more than 100 investment and venture capital organisations have sprung up in the past decade, 3i has maintained its growth. In 1975 it invested £50 million; in the year to March 1990 it invested almost £600 million worldwide.

At the end of March 1990, 3i had holdings in 4,126 companies. The total value of its investment portfolio was £2,522 million. The average investment is distorted by a few large holdings: the median investment – the value of the stake halfway down the list – is £200,000.

3i has a better regional spread than other providers of capital. However, of the £1,751 million outstanding investment in the UK at the end of the 1989/90 year, 49 per cent was in companies in London and the south-east. The group has recently started to expand abroad, and now has £217 million invested in its international portfolio.

About 45 per cent of the amount currently invested is in manufacturing, with engineering accounting for the biggest slice. The wholesale, retail and catering sectors accounted for about 24 per cent of total invested.

A study by Graham Bannock and Partners showed that in 1987 3i's investee companies on average employed 200 people, had a turnover of £11 million and exports of £1 million. They were also more profitable and faster-growing than UK industry as a whole.

In other words, they make up a successful middle layer of the British economy – this is a layer that is particularly strong in Germany, and is indeed considered the foundation of that country's economic strength.

But because 3i's investee companies are so diverse, it is difficult to characterise them except in the broadest terms. "We have an ideal," says the group's UK managing director Derek Sach. "It is a corporate entity, probably medium-sized, which is well-managed and is capable of growth in the hands of its owner-managers."

A keystone to 3i's strategy is that it will not liquidate its investments until the major shareholders decide to sell, through a trade sale or flotation. But even after a flotation 3i does not always dispose of its stake: it has shareholdings in about 200 quoted groups including More O'Ferrall, Compass Group and Westbury Homes. The fact that only a handful of names have grown large while keeping their 3i backing reflects the tendency of British entrepreneurs to sell out. However, it retained a stake in British Caledonian right up to the sale of that airline to British Airways, and is still a shareholder in the publicly quoted Oxford Instruments, which it backed at the start-up stage in 1968.

Perhaps the best way of categorising 3i's investment portfolio is by looking at the way in which 3i became involved. There are five main routes by which an investment is made: private share placement, start-up, management buy-out, management buy-in and growth capital.

Private share placement is simply where a shareholder of an existing company sells all or part of his holding to 3i, possibly as an alternative to flotation: a well-known example is the market research group MORI in which 3i has a minority equity investment.

Venture capitalists often say that 3i is not interested in start-ups. This is not true – in 1989/90, 3i invested £88 million in 302 new companies. But it is a fact that 3i is extremely fussy about the people it backs.

The Group's size means that it can afford to take considerable risks. But although, as Mr Sach says, it may "take a punt" on a graduate, with a bright idea, who has leadership characteristics, it prefers solid realists with plenty of experience.

In Consett in County Durham, Keith Stephenson is a good example. He was a senior manager in the packaging industry who decided in his early 40s that he wanted to set up on his own. He reckoned there would be increasing demand for plastic milk bottles, and persuaded 3i and various public sector funds to back him. Now his company PurePlas is expanding fast, and he is held up as a paradigm of the sort of professional-cum-entrepreneur that the group loves to back.

3i can realistically claim to have developed both the management buy-out and the management buy-in in the UK. In both cases, the underlying philosophy is the same as that in start-ups: to "liberate" managerial talent that would otherwise lie dormant.

3i is stung by criticisms of management buy-outs as mere exercises in financial engineering and believes that they have been an important part of the mechanism by which British industry was restructured in the 1980s. A recent estimate suggested that MBOs account for 600,000 jobs and a combined turnover of £25 billion, and that the share of 3i-backed MBOs is 250,000 jobs and £12 billion turnover – roughly equivalent to the sales of ICI. In 1989/90 it invested £145 million in 116 MBOs worldwide, and completed its 1,000th MBO last year.

There have been two contrasting complaints about MBOs. One is that they are too highly geared and therefore very vulnerable to rising interest rates. These are not, however, the sort of deals 3i is normally involved in. The other is that management teams tend to sell out for a fortune soon after making the buy-out. This certainly did happen sometimes in the boom times, but a survey last year of 366 3i-backed buy-outs by Graham Bannock and Partners found that only 6 per cent had been resold.

The study also backed 3i's belief that MBOs tend to improve performance. The average rate of return on assets of the MBOs was fairly consistently above that of the 3i portfolio as a whole, and 37 per cent reported substantially increased profits after the buy-out.

A further criticism of buy-outs is that owner managers will tend to squeeze spending. Bannock's evidence contradicts this, showing that only 5 per cent of buy-outs cut investment, 3 per cent cut R & D and 5 per cent cut marketing in the first year while 26 per cent increased marketing spend, 36 per cent investment, and 14 per cent R & D.

The management buy-in, which 3i started to popularise from 1987, was based on the idea that there were plenty of companies that needed new management, but did not have the skills required within them. Its "break-out" programmes attracted experienced managers and enabled them to become installed via takeovers in the target companies. In 1989/90, 3i backed 64 MBIs, worth £97 million.

But the biggest part of 3i's total investment that year, £229 million, was for "growth capital," providing capital to companies that want to expand. Much of this money was invested in companies already in the portfolio.

Although many companies complain at the high level of fees charged by venture and investment capitalists, the raising of equity capital has significant attractions over loans: it cannot be withdrawn, and is not affected by interest rate movements, for example.

Recently, this role has switched increasingly towards "survival capital." As the banks draw in their horns, and some of the smaller venture capitalists take fright, 3i has found itself in a position to step in providing a more stable form of finance. The role of equity investors in tiding companies over in hard times and providing the company with a sound capital base is being recognised, and will continue to grow.

Basis of a strong portfolio

SUMMING up the strengths of 3i, which have benefited businesses in which we have invested over the years and contributed to building up the value of our portfolio, I would pick out three main features:

- A well established regional network of offices with considerable local freedom of action.
- A genuinely long-term philosophy.
- 3i's "industry" skills – we have built up an Industry Department staffed by people with relevant management experience in a wide range of sectors.

The local office network in the UK (which has been extended to mainland Europe over recent years) means that decisions about prospective investments can be made speedily on the basis of personal knowledge of the individuals seeking capital and of the local business environment. There is no reason why a business in Wales or Scotland or the North or the West Country, seeking investment capital to enable it to carry out its growth plans or to restructure its shareholding, should have to go to London.

Each local office has of course access to the full national and international resources of the Group, so that it can tap into the means to carry out very complex financial operations possibly requiring many millions of pounds' investment.

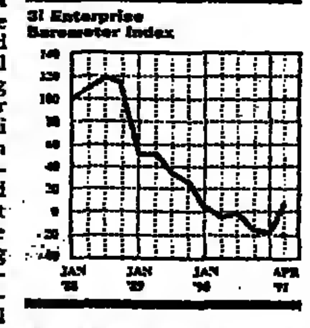
The flexibility of the local office network is enhanced by the Industry Department, which can provide a second, well informed view on the prospective investment from a different standpoint.

The third strength – long-termism – has been a feature of investment policy since the earliest days of 3i. It has enabled literally thousands of businesses to carry out sustained growth programmes on a sound financial basis.

Derek Sach
UK Managing Director, 3i.

Entrepreneurs who sniff the wind

THE 3i portfolio consists of companies which tend to be optimists. They have sound reasons for optimism – overall they have a record of growing faster than the average in their industries. Moreover, 3i obviously looks to invest in businesses run by managements who are positive-minded as well as realistic. Against that background, it is useful to note the pattern of decreasing optimism in 3i investee companies over the past two-and-a-half years about the general business climate, and then an upward turn in the spring of 1991.



A random sample of portfolio companies are polled every three months in the Enterprise Barometer Survey, with questions not only about their own business prospects but about their assessment of factors which are believed to foster growth in smaller and medium-sized entrepreneurial businesses. Each quarter they are asked whether, compared with a year previously, the "business and political climate" is more or less favourable to:

Starting new businesses;
Expanding existing business activity;
Growth by acquisition.

They are also asked whether they think the North-South Divide will get narrower or wider over the next year or so, and whether there is a "new enterprise culture" in Britain.

The Barometer was inaugurated in January 1988, with an index, based on answers to these questions, fixed at 100. The index rose in the first half of 1988, then started its fall in the summer of 1988. It can be argued that this group of businessmen were among the first to see the seriousness of the recession, in view of their answers to the Barometer questions even when their answers about business prospects for their own company were still bullish.

The Barometer index went negative in April 1990. But the last survey, in April 1991 showed a significant upward move, turning positive once more. It will be one of the business indicators worth watching over the rest of this year.

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INSIDE

Swift turns its back on fund managers

Swift, an organisation which groups 1,900 of the world's top banks, has voted to bar fund managers from joining its global computer network for payments and financial messages. Membership of the Swift network would have eased the fund managers' administration for settling securities bargains. The decision was "very disappointing for the securities industry as a whole," said Mr David Batten of S G Warburg. Being kept out will force fund managers to look at other financial networks which could lead to them bypassing the banks.
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Hard times in Nordic forests

Two leading Nordic forest products groups yesterday announced poor results for the first four months of the year. MoDo – Sweden's third-largest pulp and paper company – saw profits fall 24 per cent due to lower pulp prices and Kymmene – Finland's second-largest forest group – reported a reduced loss because of continued lower world demand and increasing oversupply.
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Volex profit falls by 41%

Pre-tax profits at Volex Group, the UK manufacturer of wiring systems and electrical accessories, fell 41 per cent in the year to March 31 due to the weakness of the UK's housebuilding and car markets. Chairman Peter Frost (left) said the group started at low activity levels and deteriorated even further as the year progressed. "The present trading conditions are anticipated to continue well into the current year," he said.
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No buyer for island telecom

Puerto Rico has been forced to postpone plans to sell the island's telephone system. The $3bn divestment would have set a US corporate record but initial enthusiasm for the sale among 20 international companies has waned in the past 12 months. Unable to find a buyer, the island's administration may need to draft new legislation altering terms of the sales.
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Cocoa comes a cropper

As cocoa prices hit their lowest level in years, Brazil's cocoa orchards are in a sorry state. Cocoa farmers have decided the plant's wood is worth more than the fruit it produces and are cutting down the plants. Many absentee plantation owners, who for years neglected their land, face a plague of crop diseases and infestations. Victoria Griffith reports.
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Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Asko	883	+	9	Chargeurs	782	+	9
Leifheit	780	+	9	**Falls**			
Porsche	595	+	20	BIC	728	−	10
Viag	376.5	+	13.3	Bouygues	602	−	10
Falls				Havas	479.2	−	10.8
Degussa	383	−	9.8	SILIC	675	−	10
Kaufhof	542.5	−	8	UAP	583	−	8

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Motorola	65½	+	⅞	Kitano Cons	1860	+	300
Unisys	4	+	⅛	Kokune	1590	+	140
Falls				Miyairi Valve	582	+	51
Amdel	13½	−	2⅛	Sata Cons	1080	+	100
Compaq	33¼	−	⅞	**Falls**			
Failure Gp	22	−	2	Daiki Eng	572	−	38
IBM	99⅝	−	¾	Sanwa Daiei	850	−	50

New York prices at 12.30.

LONDON (Pence)							
Rises				Specialeyes	25	+	5
Airtours	459	+	14	**Falls**			
BAT Inds	735	+	12	Albion	34	−	5
Boddington	152	+	6	BET	174	−	7
Brent Walker	35	+	e	Crampthorn	73	−	22
Cap. & Counties	340	+	18	Devenish	197xd	−	e
Greenwich Mill	101	+	15	Gerrard & Nat.	300	−	15
First Tech.	32	+	4	Globe Pet.	28	−	e
Jupiter Tarbutt	146	+	13	Gowrings	42	−	5
Proteus	114	+	9	Harrison Ind.	83	−	5
SD-Scicon	59	+	5	Rosebaugh	46	−	6
Seacon Higgs	104	+	11				
Seton Health.	183	+	13				

Pirelli moves for Continental stake

By Haig Simonian in Milan

PIRELLI, the Italian tyres and cables group locked in a lengthy takeover battle for Continental, its German counterpart, has negotiated a call option over a key 5 per cent stake in the German company.

Sopaf, a small Milan-based merchant bank, said it sold its 5 per cent holding in Continental, bought for L99.3bn ($74.6m) last year, to Elektrowatt, e Swiss industrial holding company controlled by Credit Suisse.

Pirelli, which arranged the sale to Elektrowatt, also agreed on the call option with the Swiss company to buy back the shares at any time over the next three years. Pirelli said it had been informed of Sopaf's decision to dispose of its investment, and took steps "to find a solution that was convenient for all".

The news of the sale and repurchase deal will reinforce speculation, denied hy the companies concerned, that in huying its Continental stake, Sopaf was either acting on Pirelli's behalf, or within an agreed framework in which Pirelli would buy back the shares when necessary.

German opponents of the merger may also take the sale as an indication that shareholder support for Pirelli's plans is crumbling. When Pirelli launched the proposed merger with Continental last September, it claimed the scheme had the backing of the owners of 51 per cent of Continental's share capital.

It is unclear what effect the news of Pirelli's role in the Sopaf sale, and the suspicion of a concert party it will provoke, will have on the takeover. Under Mr Horst Urban, Continental's former chief executive, the German company had at one stage sought to prove, or et least imply, the existence of e concert party between Pirelli and its disclosed supporters.

However, the company's position regarding the deal and such points of principle is now less clear. After Mr Urban's replacement in May, Continental's supervisory board instructed its directors to pursue discussions with Pirelli, "withoot hostile intentions, proposals or pre-conditions", according to the German company.

The latest moves, which come nine months to the day after the Pirelli's plan to huy Continental was officially disclosed, teke place against a background of silence from the two companies as to how those talks are proceeding.

Viag bid for can company approved

By Andrew Hill in Brussels

VIAG, the German industrial holding company, yesterday received approval from the European Commission to go ahead with its scquisition of the European operations of the US group Continental Can, creeting Europe's second largest packaging company.

The acquisition should double the annnal turnover of Viag's packaging operations to DM6bn ($3.37bn) Shares in Viag jumped DM13.30 to DM376.5 in Frankfurt yesterdey when Brussels announced it was waving the bid through.

Viag said yesterday that it had never donhted that Brussels would approve the takeover, which was investigated eutomatically under EC merger control regulations.

Viag will not reveal the purchase price for Continental Can Enrope (CCE), but Mr Georg Obermeier, Viag financial director, said earlier this month that it was less than the $1bn offered hy Ball Corporation of the US last year. Ball pulled out of that deal because of financing problems.

CCE said discussions about the future of the enlarged gronp should end towards the end of this month or beginning of July, after shareholder meetings of CCE's principal snbsidiaries.

Those snbsidiaries inclnde Schmalbach-Lnbeca, the German can company in which CCE has e 64 per cent stake. Viag said CCE companies would retain e large measure of management independence nnder its ownership, but refused to comment on specnlation that part of the Schmalbach-Lnbeca holding might be sold to help finance the deal. "More details will be given in one or two months," said the company yesterday. Viag raised DM600m last month with e one-for-eight rights issue et DM285 a share.

Schmalhach-Lnbeca, which will hold a shareholder meeting on June 26, accounts for about half of CCE's DM3hn annual turnover, and increased its profits from DM40m to DM63m in 1990. Viag made DM335m before tax ln 1990, on sales of DM19.5bn.

Viag, privatised three years ago, has six main areas of operation – energy, alnminium, chemicals, trade and services, ceramics and glass. Mr Alfred Pfeiffer, chairman, said earlier this month that CCE would fit well with Viag's strategy of concentrating on ecologically-sound packaging materials such as alnminium, glass and tin, which can be recycled.

BET falls 33% to profit of £217m

By David Owen in London

BET, the hnsiness services conglomerate which is one of the UK's largest privete-sector employers, has reported a 33 per cent decline to £217m in annual profits – its first such reverse for 10 years.

The group hlamed the downturn on rising interest costs and recessionary conditions in its principal markets. The result compared with pre-tax profits of £322.3m recorded in the year to March 31 1990.

As expected, the company recommended maintaining the final dividend at 9p, giving a marginally increased total payment of 13.25p (13p).

"We view the dividend es a tangible return to our shareholders and part of the total return on the stock," said Mr John Clark who succeeded Mr Nicholas Wills as chief executive on April 2.

Mr Clark said that Mr Wills, now chairman, had become non-executive with effect from April 1.

The rise in interest costs was from £42.4m to £79.5m, reflecting delays in disposing of non-core hnsinesses particularly in the first half of the year.

By the year-end, net borrowings had been chopped from a September peak of £617m to £425m, putting gearing at 85.7 per cent.

These figures count BET's $500m of US auction market preference shares (Amps) as equity. The post-year-end sale of Biffa, the waste disposal business, to Severn Trent for £212m will have trimmed both debt and gearing further to £213m and 35 per cent respectively.

Second-half capital expenditure was cut to £44m, against £140m in the first six months and £265m in 1989/90. "BET invested in good assets but it is not something you need to do every year," Mr Clark explained.

Operating profit was down by 18 per cent at £296m. "At the operating level, all businesses have been affected to some degree by the recession, especially in the second half," the company said. There was an adverse currency swing of ebout £10m.

Turnover edged ahead to £2.8bn (£2.7bn), but earnings per share slid by 35 per cent to 18.5p (28.5p).

After rising initially, the shares closed down 7p at 174p – still well ahead of their February low point of 67p.
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BET's John Clark: unveiling a steep profits decline with admirable composure

Chapter One: cutting costs

David Owen talks to John Clark, the new man at BET's helm

It was a brisk and business-like John Clark who stepped out under the City of London's gaze after his first "75 glorious days" at the helm of BET.

He showed a tendency to pepper his sentences with American business-school jargon. And he could not refrain from repeatedly misnaming the group's now disposed-of double-glazing subsidiary "Anglican Windows". But for a chief executive unveiling e steep fall in annual profits, his composure was admirable – even if his direct responsibility was limited since he has only been *in situ* since the start of the financial year.

Anyone expecting to hear Mr Clark's first words on the business services group's new strategic direction was disappointed. Formulating his long-term views is a task he will turn to only during his second 90-day stint, he says. The first three months are being devoted "14 hours a day six-and-a-half days e week" to annual business plans and an operational review. "The primary emphasis has been on organisation and cost reduction," he says. His horizons have yet to extend in earnest beyond the current financial year.

This is largely a reflection of BET'e difficult circumstances. Second-half profits were down well over 50 per cent from 1989/90 levels at about £80m ($131.20). Mr Clark foresees no help from the economy until the first quarter of calendar 1992. The cost base must fall for an acceptable current-year result. "I am a great believer in getting cost leadership ... The ability to take cost out is the key to making money in this financial year for any business," he says.

Perhaps fortunately for BET's long-term health, he has identified areas of fat to trim. "Any time you go through a development phase in which acquisitive growth takes place – and the group made 53 acquisitions the year before last – there is scope for improvement," he says.

In operational terms, this means that John Clark's BET is going to have e flatter management structure than the ooe which evolved under Mr Nicholas Wills in the 1980s.

"In the 1980s growth phase, BET was run more like e holding company with a lot of delegation to the operating units," he says. "There was more concentration on acquisitions than operations. I decided we had to concentrate on management systems focusing strongly on performance."

Management incentives will be changed appropriately. "We are trying to set up a sitnetion where there is a lot more pressure on managers to take action so that they will perform," he says. This does not mean that salespeople will be encouraged to chase volume at the expense of operating margins. "We are trying to get rid of Vocas: volume covers all sins," he says.

There is also progress to be made, Mr Clark believes, in rationalising some of BET's diverse units. In the struggling UK personnel services operation, the Atlas and HMS networks have already been amalgamated and more than e third of branches sold.

But the hard truth is that BET must do more than just tread water if it is to stage a rapid and convincing recovery.

Excluding acquisitions and disposals, BET suffered a net outflow of funds of £94.1m in the year recently ended. To avoid more forced sales, Mr Clark must make BET cash generative soon. "As much as humanly possible, we want to put the money from the £212m Biffa sale in the bank and turn that £94.1m positive," he says.

Though the waste disposal unit contributed £17.8m of profits last year, Mr Clark emphasises that he "recommended the sale". "Biffa was a substantial net cash user," he says. "I think it is a very good business but its margins on the collection side were down e bit."

Stora plan to sell German unit may raise DM1.5bn

By John Burton in Stockholm

STORA, Europe's largest pulp and paper concern, said yesterday it hoped to complete by the beginning of July the sale of the non-forestry operations of Feldmühle Nobel, the German conglomerate it acquired e year ago.

"We are in serious discussions with several interested companies," said Mr Sven von Holst, Stora information director.

He denied that Stora had reached a preliminary agreement with Metallgesellschaft, the German engineering group, and declined to confirm that it was one of the companies negotiating with Stora.

Stora is selling FeNo's engineering operations to help finance its DM4bn ($2.3bn) acquisition of the German concern, which it bought for its pulp and paper business.

It is believed to be seeking a German huyer in compliance with the wishes of the German authorities.

The FeNo engineering operations, which are being sold as one unit, include Buderus, which makes building materials, heating and kitchen equipment and stainless steel products, Dynamit Nobel, which produces explosives and plastic mouldings and the technical products division of Feldmühle.

Analysts believe the purchase price could reach DM1.5bn. FeNo reported a profit after financial items of DM530m on sales of DM9.4bn in 1990.

● Metallgesellschaft yesterday announced a rights issue, offering shareholders three new shares for every 22 they hold, Renter reports. The company said 1.2m new shares would be issued.

Consortium bids for Fairfax assets

A BRANCH of the Fairfax family, which once headed Australia's oldest newspaper empire, is attempting to regain control of the media group.

Mr John B Fairfax has joined forces with Mr Tony O'Reilly, chairman of the US-based Heinz food group, to put together a bid for the main assets of the 150-year-old John Fairfax Group.

Mr O'Reilly, whose family interests control Independent Newspapers in Ireland and Australian Provincial Newspapers (APN) in Australia, has emerged as a front runner in the fight for Fairfax.

The other front runner is Jamison Equity, a venture capital company controlled by Mr Chris Corrigan, which has the support of Mr Chris Anderson, a former chief executive of Fairfax.

Fairfax, which publishes the Sydney Morning Herald, The (Melbourne) Age, the Australian Financial Review and several provincial newspapers, was put into receivership by its banks in December with debts of A$1.7bn (US$1.3bn).

The company had failed to service debts built up during a 1987 takeover by Mr Warwick Fairfax, who bought out the rest of the family and minority shareholders for A$2.1bn.

The main beneficiaries of Mr Warwick Fairfax's takeover were Mr John B Fairfax, his cousin, and Sir Vincent Fairfax, his nncle, who jointly received A$306m for their holdings.
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INTERNATIONAL COMPANIES AND FINANCE

BAA down on recession and impact of Gulf war

By Paul Betts, Aerospace Correspondent

BAA, the former British Airports Authority, yesterday reported a 3.5 per cent drop in pre-tax profits to £247m ($395.2m) for the financial year ended last March, against £256m the previous year, due to larger than expected provisions on its property interests, the impact of the Gulf war and the economic recession on its airports business.

Sir Norman Payne, BAA's chairman, also announced he would be retiring at the end of July. Mr Brian Smith, former chairman of MB Group and a director of Berisford International, Cable and Wireless and Davy Corporation, will succeed Sir Norman as non-executive chairman of BAA.

As chief executive of the airports group, Sir John Egan, the former head of Jaguar, will be responsible for the overall day-to-day running and strategy of BAA.

Despite the difficult airline industry environment, BAA's core airports business continued to perform strongly last year. Excluding the property provisions of the company's Lynton subsidiary, which totalled £36.7m last year, pre-tax profits rose 11 per cent to £284m, although the Gulf conflict cost the airports group £2m a week in lost revenues during the war.

Sir Norman said the underlying trend for passenger traffic was improving. After being 14 per cent down in April, against April last year, passenger volume at BAA airports was 7 per cent lower in May. He said BAA was now expecting passenger growth to average around 4 per cent a year during the next ten years, with the number of passengers using BAA airports doubling by the turn of the century.

Sir John Egan, the chief executive, said the group intended to pursue its strategy of developing its retailing operations in the UK and overseas. At Heathrow airport, BAA is negotiating with Marks and Spencer over the opening of a 50,000 sq ft store in terminal three.

Sir John said there were advanced negotiations between BAA and Pittsburg for the UK group to operate a retailing concession at Pittsburg airport.

Sir John emphasised he intended to focus the group's attention on its core airports business. This is expected to see the eventual sale of about £100m-worth of non-airport property assets, including two hotels in Amsterdam and Gent.

To improve productivity, BAA has recently cut 400 jobs, or 4 per cent of its workforce.

The Mergers and Monopolies Commission (MMC) has just completed a review of the company's three London airports. The review, which is expected to be published in the next few weeks, will recommend a new pricing formula for BAA airport landing charges. The new formula will then be established by the Civil Aviation Authority.

Regulators have recently adopted a tougher stance on privatised service companies and utilities. But BAA has argued the new formula should take into account the loss of revenue from airports as a result of the European Commission's proposal to abolish duty free sales in the EC. European duty free sales currently account for about £55m of BAA's annual revenues.

BAA is also facing heavy, long-term investments, including the construction of a new terminal at Heathrow airport which is expected to involve about £2bn in overall capital expenditures. Sir John said the plan envisaged the opening of the first phase of terminal five around 2001.

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Boddington fails in Devenish bid

By Roland Rudd in London

DEVENISH, the UK west country brewer, yesterday won its fight to remain independent after the Takeover Panel rejected Boddington's complaints of irregularities in the vote on its bid.

Boddington, the pubs and hotel group, received acceptances representing 45.8 per cent of Devenish's shares, just under the majority required. It formally announced that its £120m ($196m) offer had lapsed.

The offer closed at 1pm on Saturday. On Saturday, the Takeover Panel froze the bid while it looked into the irregularities alleged by Boddington. On Monday, it dismissed them, and allowed the vote to take effect.

With Boddington's bid defeated, Devenish's management won shareholder support at an extraordinary general meeting yesterday for its supply agreement with Whitbread, negotiated during the takeover battle. The seven-year agreement takes effect on Friday. Whitbread will supply Devenish's 370 pubs with a large range of beers – including Devenish's own Newquay Steam and the Boddington's brand, which it brews.

Devenish is holding separate talks with Whitbread about the sale of its brewery in Redruth, Cornwall, which lost £1.7m last year. Mr Michael Cannon, Devenish's chairman, said he would close it by September if a buyer could not be found.

Despite Devenish's victory, stock market analysts say the group could still be vulnerable if it does not live up to its profit forecast for the current year to September of £11.3m ($18.53m) or £15.9m if the sale of the brewery and wholesaling operations goes through.

Mr Cannon will have to cope with two large shareholders: Boddington, which built up a 16.9 per cent shareholding in the course of the bid; and Whitbread Investment Company (WIC), 49.9 per cent owned by Whitbread, which owns 15 per cent. Boddington says it has yet to decide what to do with its stake.

Devenish's shares fell 7p yesterday, to close at 197p. Boddington's shares rose 6p to 152p.

Mr Cannon is writing to Mr Peter Lilley, Industry secretary, asking him for a change in the law requiring companies launching unsuccessful bids to pay the costs incurred in the battle.

A corporate collapse deals a blow to Italy

Haig Simonian says the Federconsorzi affair may have undermined the country's credibility as an international borrower and raised doubts about why the crisis arose

The collapse of Federconsorzi, the Italian agricultural services group which was put into voluntary liquidation with debts of L4,200bn ($3.2bn) last week, has ended one chapter in a singularly Italian saga. But the final chapter is by no means written.

The decision by leading domestic banks to accept the rescue plan put forward by farm minister Mr Giovanni Goria has now created a way out of the crisis. But the affair has dealt a lingering blow to Italy's credibility as an international borrower and raised doubts about why the crisis arose in the first place.

It also represents a further setback for Banca Nazionale del Lavoro, the state-owned bank still reeling from the $3bn scandal over unauthorised Iraqi letters of credit.

The BNL group holds 50 per cent of Agrifactoring, a farmers' factoring group 20 per cent-owned by Federconsorzi, and which is itself in difficulties following the crisis.

Creditors have called on BNL to honour Agrifactoring's own debts of L800bn ($676.2m) to L1,000bn. However, the bank, which also provides Agrifactoring's management, says Agrifactoring's affairs are directly linked to Federconsorzi's fate, and therefore it is not responsible. The finances of BNL are set to suffer in that it is the biggest single creditor – with L230bn to Federconsorzi and L300bn to Agrifactoring outstanding.

The fact that one of Federconsorzi's main assets is 13.6 per cent in Banca Nazionale dell'Agricoltura (BNA), one of Italy's few remaining nation-wide private-sector banks, may also have wider consequences. In 1989, Credito Italiano, the big public-sector bank, launched an abortive takeover for BNA, and is now seen as a prime taker for the stake.

Although the takeover of Federconsorzi by government administrators on May 17 was ostensibly a financial decision in response to reports of imminent insolvency, it was as much a political step.

For decades, Federconsorzi has provided financial services to farmers, one of the most solid electoral bases for Italy's Christian Democrat party.

Matters have changed from the days when the farm lobby could guarantee 60 to 70 deputies and even dictate who should be farm minister, but farmers remain a potent force in Christian Democratic politics and can still muster up an important quota of safe seats.

The cosy relationship between farmers, the party and Federconsorzi is the major reason why a clean-up did not come earlier. Federconsorzi's finances deteriorated steadily in the 1950s and 1960s as a result of support for provincial farming consortia, which were also in financial difficulties, the granting of credits on political grounds and blatant overstaffing.

Diversification did not help. Mr Guido Rosa, the head of Société Générale in Italy and chairman of the country's foreign bankers' association, says Federconsorzi's investments are not as bad as first thought. But shifting away from non-core activities soaked up liquidity.

Doubts about the timing of the affair have been bolstered by bankers' widespread view that Federconsorzi's finances could probably have been restructured without a crisis. The finances of the group, which is also very active in the Italian food processing business, are not as dire as first thought.

According to a "worst case" calculation by Mr Gian Marco Petrelli, director general for Barclays in Italy, creditors stand to receive around 90 per cent of their loans.

Such factors have fed speculation about the reasons why Mr Goria, a left-wing Christian Democrat who became farm minister in April, chose to step in when he did.

As a former prime minister and member of the Christian Democrats' left wing, some have attributed Mr Goria's decision as a scheme by left wingers to embarrass the centre-right and gain influence at its expense. Others place responsibility with the Socialists, who may have gained electoral capital in embarrassing the Christian Democrats on such secure ground in order to gain greater representation in Italian agricultural affairs.

Whatever its origins, the crisis has already caused more damage than expected. Federconsorzi's appetite for cash made it turn not only to domestic credits, provided partly by foreign banks in Italy, but also to the Euromarkets.

Two syndicated loans of Ecu200m each, led by Japan's Sumitomo and Mitsubishi banks in 1988 and 1990 respectively, provided additional funds, although Ecu111m of the first deal has been repaid.

The foreign banks want their money back and cite clauses in their loan documentation allowing for repayment in the event of default. While their position recalls similar cases of foreign banks, starved of blue-chip customers, lending unwisely in unfamiliar circumstances, the foreigners this time have a point.

They argue that Federconsorzi has generally been perceived as a state organ, and hence is guaranteed by the Treasury. Admittedly, the commitment does not exist on paper. But the impression given – some bankers say cultivated – by Federconsorzi was that it was a public-sector agency. Not only did it act on behalf of the farm ministry, it even has a L470bn-L480bn unpaid credit to the agricultural ministry for agency services on its books.

While foreign bankers have emphasised their moral case, the threat that the affair will damage Italy's overall standing as an international borrower provides a stronger weapon.

The threats carry some weight. Italians are among the most active Euromarket borrowers, and bankers say a number of syndications have already been postponed. Japanese banks, which are probably most heavily exposed owing to the small numbers in the Mitsubishi and Sumitomo syndicates, are believed to be particularly bitter.

There is no doubt that the affair been handled poorly on the Italian side. Only now, a month after the administrators first moved in, are Federconsorzi's finances starting to be untangled. Many questions remain unanswered.

Nor is the group out of the woods. Leading domestic banks have accepted the Goria plan in principle, opening the way for the creation of a new Federconsorzi. But much remains to be done. Moreover, the voluntary liquidation must be approved by all the creditors. The alternative, a court-supervised winding-down, promises to be slow and costly.

The foreigners have a strong moral case and claim that their position is backed by the Bank of Italy. Moreover, with foreign bank creditors estimated to account for around 10-15 per cent of the L4,200bn owing, a settlement would not be that costly.

But their chances of receiving preferential treatment over domestic banks look slim. On Friday, Mr Goria called on the foreign banks to play ball. "If they work in Italy, they need to accept our rules", he said. Meanwhile, Mr Lamberto Dini, the director general of the central bank, used a trip to Japan last week to sooth tempers there.

A direct pay-off seems politically impossible, as some foreign bankers realise. Some would be content with a rescheduling, with an explicit state guarantee and repayment over the next 3-5 years.

Others have clutched at the unlikely straw, raised last week, that a group of around 20 Italian banks might pay off all the smaller bank creditors.

With the Federconsorzi affair already having absorbed so much ingenuity in political and financial circles, the next few weeks will show whether such fruitful minds will manage to devise a suitably creative, and face-saving, exit for all concerned.

Fall in pulp prices hits MoDo

By John Burton in Stockholm

MODO, Sweden's third largest pulp and paper company, yesterday reported that profits after financial items during the first four months of this year fell by 24 per cent to SKr433m ($67.2m) due to lower pulp prices.

Mr Bernt Lof, MoDo president, said there is a risk of "considerably" worse results for the rest of the year.

The company plans to shed 600 jobs this year and next in a rationalisation, which also includes closing an experimental pulp mill at Ornskoldsvik.

A loss of SKr63m for pulp operations, reflecting increased competition and a weak dollar, mainly accounted for the fall in profits.

Other MoDo sectors fared better. Operating profits for the fine paper division, its largest business area, jumped by 112 per cent to SKr159m, benefiting from the low pulp prices.

Operating profits for the Iggesund paperboard division also climbed by 36 per cent to SKr236m. The Holmen paper division registered a 17 per cent growth in operating profits to SKr170m.

Kymmene slides into red

By Enrique Tessieri in Helsinki

KYMMENE, Finland's second largest forest group, reported a loss of FM39m ($9.3m) before taxes in the first four months of 1991 compared with a profit of FM251m in the corresponding period last year.

Kymmene blamed the weaker result on a slump in the global forest products market, which has caused severe oversupply problems and reduced profitability. Export sales prices from coated magazine and uncoated fine paper, the group's main products, fell around 3 per cent compared with prices last time.

Consolidated turnover rose 2 per cent to FM4.31bn from FM4.24bn, while operating profit dropped to FM225m from FM439m.

Belzbergs likely to dilute First City Financial stake

By Bernard Simon in Toronto

CANADA'S Belzberg family, once among the most feared North American corporate raiders, may dilute its holding in its flagship company as part of efforts to cope with a severe financial crunch.

Mr Brent Belzberg, who has taken over from Sam, his uncle, as the family's chief spokesman, told the annual meeting of First City Financial in Toronto yesterday that a planned debt restructuring was likely to dilute the family's stake in the company below the existing 75 per cent.

The meeting was also told that Mr Sam Belzberg has relinquished his position as First City's chairman, although he will remain a director. "The philosophy of the 90s just didn't suit his operating style," Mr Brent Belzberg said.

The company is trying to project a more conservative image under Brent Belzberg's leadership, winding down its arbitrage and securities activities to concentrate on its core activities of financial services and real estate development. It has sold C$140m (US$122.8m) of securities holdings this year.

First City has been squeezed by its heavy debt load and by large losses on several investments, including stakes in the British retail group Asda and the US floor-covering maker Armstrong World Industries, and by the depressed real estate market.

"The entire restructuring process is a difficult one, and the seriousness of the situation cannot be underestimated," Mr Belzberg said.

A proposal to restructure C$250m of Swiss franc and dual currency bonds will be presented to bondholders next month. The company is also awaiting a response on a proposed restructuring of US$97m of high-yielding notes issued by a subsidiary.

Mr Belzberg said First City, which incurred a C$228m loss last year, would not return to profitability in 1991. He pledged to "take whatever reserves and whatever hits we need to clean up the balance sheet."

Litton forced to cut operations

By Karen Zagor in New York

LITTON Industries, the Beverly Hills-based industrial and oilfield-services group, yesterday said it planned to cut operations at its integrated automation division and take a $180m charge against fourth-quarter earnings.

The charge is expected to reduce per-share earnings for the three months ending July 31 by about $4.50. For the nine months ended April 30, Litton recorded earnings per share of $5.53.

The performance of Litton's industrial automation systems operations has been hit by the weakness of the automotive market.

Litton said the US recession had compounded the problems at its integrated automation division, which provides software-based systems for document imaging, inspection and process control.

Mr Alton Brann, president and chief operating officer, said these problems "will not substantially reverse once the economy turns. It is right, therefore, to stop our losses now".

"The outlook for the products and services of the integrated automation division has changed dramatically," Mr Brann added.

"We are closing down the inspection and process control product lines, whose performance turned out to be disappointing. The remaining document imaging business has a much narrower scope, serving a smaller market with limited growth opportunities."

Mr Brann said the outlook and performance from Litton's continuing industrial automation activities were improving. "Our cost-cutting measures are showing initial results, our margins are increasing, and both bookings and backlog are running higher than a year ago at this time."

The company expects its industrial automation group to benefit from the cuts.

In 1990, Litton had net income of $178.8m on sales of $5.16bn, against $178.3m on sales of $5.02bn. Earnings per share rose to $7.26 from $7.05, reflecting fewer shares outstanding after a share repurchase programme.

Magna set to sell 35% of one business

By Robert Gibbens in Montreal

MAGNA International, Canada's biggest independent car parts maker, is negotiating to sell a 35 per cent interest in one of its four operating groups, says Mr Frank Stronach, its founder and chairman.

"The deal will be structured along the lines of the link-up with Mitsubishi of Japan, in which Magna sold 25 per cent of its interior parts manufacturing operation.

The company hopes to raise a further C$40m (US$35m) by selling small subsidiaries and property, and expects to repay C$103m of debt due by the year-end "without problems".

Magna had a brush with bankruptcy two years ago following expansion in North America and a sally into Europe during the 1980s. The North American recession and slump in car sales brought the crisis to a head.

It turned in a modest C$5m profit in the nine months ended April 30, after posting a C$224m loss for fiscal 1990, including writedowns.

The group needs annual output of 9m cars to be modestly profitable.

Heinz advances 12.6%

By Karen Zagor

H.J. HEINZ, the US food group, turned in a 12.6 per cent increase in 1991 net income, reflecting currency movements, higher prices and volume and acquisitions. Sales for the period advanced 9.2 per cent.

Mr Anthony O'Reilly, chairman and chief executive, said the company's product and geographic diversity "continue to provide us with brand leadership and financial strength that will enable us to continue our success in this intensely competitive market".

For the three months ended May 1, the Pittsburgh, Pennsylvania-based company lifted net income to $156.1m, or 58 cents a share, up 15.3 per cent from earnings of $135.3m, or 51 cents, in the 1990 fourth quarter. Sales improved 8.5 per cent to $1.84bn from $1.69bn.

Operating income in the last three months of fiscal 1991 grew 12.4 per cent to $275.5m.

Selling, general and administrative expenses rose 10.2 per cent in the quarter to $443.6m from $402.6m. Pre-tax income was up 13 per cent to $240.7m.

M-Net sharply higher

By Philip Gawith in Johannesburg

M-NET, the recently listed South African cable television company, out-performed its prospectus forecasts to record a sharp increase in earnings in the year to end-March.

Turnover rose 31.5 per cent to R426.3m ($152.2m) and operating profit increased 54 per cent to R44.8m. Earnings rose 170 per cent to 30.3 cents per share, while the dividend rose 84 per cent to 7 cents.

The company's performance is reflected in its share price which has risen to its current level of 400 cents from 120 cents when the share was listed last August.

● Kesley Group Holdings, the world's largest granite producer through a 50 per cent stake in listed subsidiary Kelgran, recorded lower earnings in the year to end-February, following increased competition in world markets. Turnover rose 4.4 per cent to R200.7m ($71.6m) from R192.3m, but operating income was 10.5 per cent lower at R47m.

Puerto Rico puts a $3bn telecom sell-off on hold

Canute James reports on a government embarrassed by its failure to lure investors to a state monopoly

Puerto Rico has been forced to postpone plans to sell the island's telephone system. The divestment would have set a US corporate record as the the largest sale since that of Conrail in 1987.

When the sale was announced just over a year ago, government officials said more than 20 companies were lining up to buy. However, the initial enthusiasm waned.

Mr Rafael Hernandez Colon, governor of the US Caribbean possession, has cancelled the sale, saying the administration could not get the price it was asking.

The government was offering the Puerto Rico Telephone Authority and its subsidiaries – the Communications Authority and Telefonica Larga Distancia, which handles long-distance services – for $3bn.

That price would have easily topped the $1.65bn paid when Conrail was sold in 1987.

From the list of those said to have been interested, only Bellsouth and GTE, both of the US, persisted, and they were reported to be offering less than the government wanted.

The sale by the administration of Mr Rafael Hernandez Colon, Puerto Rico's governor, was aimed at raising money for public expenditure. Mr Hernandez Colon, in an earlier term, was behind the government's acquisition of the telephone company in 1974 from ITT of the US for $165m.

The sale would have given the government $2bn for two trust funds set up to finance infrastructural development and education.

According to the Government Development Bank of Puerto Rico, handling the sale with advice from Goldman Sachs, a New York investment firm, the other $1bn would have covered the company's outstanding debts, of $950m, and all fees incurred in the transaction.

The Puerto Rico Telephone Authority is the 14th largest in the US, with operating revenues of $591.6m in 1989. Company officials put its assets at $1.57bn at the end of 1988, and say average annual earnings since 1985 have been $73.5m.

It has a monopoly on telephone services in Puerto Rico, with room to expand basic services. The system has 28 access lines per 100 people, against the US average of 41 lines.

Despite this, potential purchasers balked at the asking price, particularly because the debt is to be assumed by the new owner.

The failure to sell the company for $3bn has embarrassed the government. It had little flexibility in bargaining because the price was legislated amid official statements that purchasers would not be hard to find.

Mr Hernandez Colon now faces having to return to the legislature to ask that the laws governing the transaction be repealed. There is yet no indication if he will ask for new conditions, including a lower price.

Other conditions of the sale may have to be changed:

● Concessions to local interests dampened the enthusiasm of prospective purchasers. The island's administration undertook to bind the new owner to a three-year freeze on telephone rates.

● To mollify organised labour and to win its support for the divestment, the government also said the new owners would have been told there should be no lay-offs in the first three years.

● Trade unions, which have been, in the main, opposed to the sale, threatened to strike if the government reduced the asking price. An agreement in February with unions representing the company's workers will add $57m to the wage bill over the next three years.

Puerto Rican officials consider it an unfortunate coincidence that other telephone and telecommunications companies were being divested in South America.

To compound the problems of Puerto Rico's administration, federal regulations have reduced the possible involvement of some potential purchasers. Puerto Rico has to observe federal laws restricting non-US companies to a 25 per cent ceiling on ownership of a telecommunications company.

There are also limits on the involvement of some US companies. The Bell companies can buy the Puerto Rican company, but not its long-distance subsidiary and equipment manufacturing arms.

Consortium leads battle for Fairfax media group

By Kevin Brown in Sydney

Warwick Fairfax: bought out the remaining family

AUSTRALIA'S Fairfax media group, driven into receivership by one branch of the Fairfax family, is being stalked by a rival branch, which wants to resuscitate the family's 150-year connection with the newspapers it once owned.

Fairfax, which publishes the Sydney Morning Herald, The (Melbourne) Age, the Australian Financial Review and several provincial newspapers, was put into receivership by its banks in December, with debts of A$1.7bn (US$1.3bn).

The banks moved after the company failed to generate sufficient cash flow to service debts built up during a 1987 takeover by Mr Warwick Fairfax, then 26, who bought out the rest of the family and minority shareholders for A$2.1bn.

The main beneficiaries of the takeover were Sir Vincent Fairfax, Warwick's uncle, and Mr John B. Fairfax, his cousin, who jointly received A$306m for their holdings in the group.

Mr John B. Fairfax used much of the proceeds to acquire a chain of rural newspapers held through Marinya Media and Rural Press, both family companies, and has subsequently been approached for support by several potential purchasers of Fairfax.

Initially, he indicated he was interested only in prising away from Fairfax some of its more attractive provincial newspapers. But Mr Fairfax has joined a consortium being put together by Mr Tony O'Reilly, the Irish chairman of the US-based Heinz food group, to bid for the whole of Fairfax.

Mr O'Reilly, whose family interests control Independent Newspapers in Ireland and Australian Provincial Newspapers (APN) in Australia, has emerged as the front runner in the battle for Fairfax, largely because of his reputation as a strong manager. His bid will be strengthened by the deal with Mr Fairfax, who was regarded as a successful deputy chairman of the group before the 1987 takeover.

Mr Fairfax said he had joined the O'Reilly consortium because the successful bidder for Fairfax should have empathy for the group's heritage and the experience to guide it through a difficult period.

Mr Fairfax said Mr O'Reilly's record showed "he fulfils the necessary standards we set ourselves, which have been a hallmark of the . . . Fairfax company for more than 150 years".

The deal between Mr Fairfax and Mr O'Reilly is believed to provide for Marinya Media to take up to 15 per cent of the restructured Fairfax group. Mr Fairfax would join the board as an executive director.

Mr O'Reilly is believed to be seeking a stake of up to 25 per cent in the restructured group, which might breach Australia's 15 per cent limit on foreign holdings in media groups.

He was allowed to acquire APN from Mr Rupert Murdoch's News Corporation for A$135m after structuring the deal so that only 15 per cent was held directly through Independent Newspapers. The remaining 85 per cent is held by a trust benefiting his Australian children.

It is unclear if the Labor government would allow such a deal in relation to the flagship publications of the Fairfax group, which are widely regarded as national symbols.

The other front runner is Jamison Equity, a company controlled by Mr Chris Corrigan, which has the support of Mr Chris Anderson, a former chief executive of the Fairfax group.

Several other parties have indicated an interest, including a Melbourne-based consortium represented by Macquarie Bank; Hellman and Friedman of the US; Mr Kerry Packer, proprietor of the Australian Consolidated Press television and magazine group; and Pearson, the UK group which owns the Financial Times.

Several of the potential purchasers face regulatory difficulties. Mr O'Reilly's success in attracting the support of Mr Fairfax increases the likelihood other bidders will seek to join his consortium.

NZ property group moves into red with NZ$40m loss

By Terry Hall

ROBT JONES Investments, the Wellington-based international property group, yesterday reported a loss of NZ$40m (US$23.5m) for the year to March 31 after wiping more than NZ$325m or about 35 per cent off shareholders' funds to bring its property values into line with depressed building and share prices.

The write-offs include NZ$55.8m in extraordinary losses on properties in the US and Australia. The loss compares with a NZ$30.8m profit last year and is the first time the company has shown a loss since listing in 1983.

The contribution from property rental activities was a NZ$19.02m profit, up 45 per cent on 1990.

Revenue increased by 8.8 per cent to NZ$127.2m.

Extraordinary losses totalled NZ$55m.

These included a NZ$28.6m write-off on the disposal of the group's North American property portfolio, and mostly related to the company's flagship building at 44 Wall Street which was handed back to its mortgagee last month in a deal which eased RJI's debt burden by about NZ$75m.

The other main extraordinary item was a NZ$27.1m write-down on the RJI commercial division portfolio, a collection of buildings originally intended to be bought and sold for quick profits.

Mr David Moriarty, managing director, said the NZ$285m write-down in investment properties reflected a 16 per cent decline in New Zealand property values, a 19 per cent drop in Australia and a 27 per cent fall in UK values.

RJI had cash of about NZ$120m. The company's overall debt position had been reduced by NZ$61.7m. Term liabilities were NZ$259m lower at NZ$461m but current liabilities had soared NZ$190m to NZ$241m.

Stock market raid on Malaysian broker

By Lim Siong Hoon in Kuala Lumpur

MULTI-Purpose, the Malaysian conglomerate, has launched a stock market raid on TA Enterprise, one of the country's leading – and most profitable – brokerage houses.

Magnum, the group's gaming and leisure subsidiary, had, by the end of last week, collected a 20 per cent shareholding at a cost of nearly M$79m (US$29.2m).

Mr Cheah Yoke Phow, group general manager for corporate development, said the stake was "meaningful" and he was unaware of any takeover offer. Local rules require Magnum to make a general offer if its stake reaches 33 per cent.

The investment, he said, fitted into the group's strategy of focusing on finance, one of its three core businesses.

The move by Multi-Purpose seemed to signal its first tentative steps to expand and recover its past prestige, after nearly two years of rationalisation, clearing its debts and shedding its plantation, trading and engineering businesses.

Magnum is the group's most lucrative holding, with a pre-tax profit of M$100m in 1990-1991 compared with M$53m a year ago.

Turnover for the year to last April rose 41 per cent to M$1.1bn.

Multi-Purpose has plans to separate and float the lottery from the property and finance businesses in Magnum.

There has been no response from TA Enterprise to Multi-Purpose's move; its two largest shareholders, chairman Mr Tiah Thee Kian and Ms Zainab Ahmad, hold 41 per cent and 27 per cent respectively.

For the half-year to last April, its operating margin was 51 per cent, with a M$26m pre-tax profit on turnover of M$51m, compared with M$75m for all of the previous year.

TA Enterprise, in common with many other brokerages which wound up in the local stock market over recent months, sold 25 per cent of its M$120m share capital last October in response to a government-enforced restructuring of the stock broking industry.

Jarden Morgan warning to holders

By Terry Hall in Wellington

JARDEN MORGAN, the New Zealand investment bank which has become an NZ$80m (US$47m) cash box after an extensive international asset sales programme, yesterday issued a "don't sell" notice.

Directors warned shareholders they could soon face takeover action and should not sell until they received a formal offer. They said some people were making private approaches to buy big blocks of shares in a bid to acquire control before the offer. These should be ignored, they said.

Jarden Morgan, the result of a 1986 merger between Australian and New Zealand investment interests, acquired a worldwide portfolio of a bullion company and other assets in the UK, US, Canada and the east, following the takeover of Deak International. In 1988 the company said all its assets would be sold in the wake of poor results, following the 1987 stock market collapse.

Today, the company's remaining assets include a 49 per cent share in Singapore brokers, Paul Morgan and Associates, a Queensland property company and a Wellington high-rise building.

Directors yesterday announced a loss of NZ$28.5m for the year to March 31.

Jarden Morgan director, Mr John Benton, said last night a bid could be coming from existing leading shareholders, although this would "not be entirely management-related."

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, June 17, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)

Special Drawing Rights June 14, 1991 United Kingdom £0.805290 United States $1.31222 Germany D Mark 2.36200 Japan Yen185.089
European Currency Unit Rates June 17, 1991 United Kingdom £0.701527 United States $1.13998 Germany D Mark 2.05014 Japan Yen160.851

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; (w) Crown revalued by 2pc. June 17, 1991.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday June 17, 1991

INTERNATIONAL CAPITAL MARKETS

French bonds fall steeply ahead of confidence vote

By Simon London and Sara Webb in London and Patrick Harverson in New York

THE FRENCH government bond market sold off sharply yesterday ahead of the parliamentary motion of no confidence faced by Mrs Edith Cresson, the new prime minister.

The September bond futures contract fell to 105.08 by the close, from an opening level of 105.48. The benchmark 8½ per cent 10-year government bond closed on a yield of 9.14 per cent, up 10 basis points on Friday's close.

However, analysts said that the sell-off reflected fears of a liquidity squeeze at the shorter end of the market rather than political uncertainty. The movement was led in the futures market and followed by cash bonds, where volume remained low.

The Spanish peseta continued to fall on the foreign exchange markets, allowing the French currency to rise above its European monetary system floor for the first time in three months. However, currency analysts said that the weakness of the Spanish currency was probably temporary and did not provide the French government with an opportunity to cut interest rates.

■SENTIMENT in the German government bond market was little moved by the announcement at the weekend of a deal between the government and opposition parties which opens the way for tax increases to finance German reunification.

However, comments by Mr Helmut Schlesinger, who takes over as Bundesbank president when Mr Karl Otto Pöhl steps down next month, that monetary conditions will have to remain tight unsettled the market.

The September bund futures contract closed at 85.71, having opened at 85.78. In after-hours trading, the contract fell back further and was quoted at 85.60.

■UK government bond prices swung lower yesterday as the weakness of the pound and political uncertainty caused prices to be marked down.

The September gilt futures contract closed at 89.18 down from an opening level of 89.21. Volume was a sluggish 15,000 contracts.

From today the FT will change the basis of calculation of the yields of the Italian government bond to follow Italian market practice. Yields on the Italian bond will henceforth be calculated on an 360-day basis rather than on a semi-annual basis as previously.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	104.7808	+0.436	11.21	11.13	10.5[illegible]
BELGIUM		10.000	08/00	104.4000	-	9.28	9.18	9.18
CANADA *		9.750	06/01	98.3750	-0.750	9.01	8.96	8.83
DENMARK		9.000	11/00	98.8750	-	9.20	9.17	9.10
FRANCE	BTAN	9.000	05/96	99.6527	-0.182	9.27	9.11	8.77
	OAT	8.500	01/01	102.1400	-0.610	9.14	9.06	8.84
GERMANY		8.375	05/01	100.2000	-0.680	8.34	8.37	8.38
ITALY		12.500	03/01	98.4100	-0.300	12.78	12.80	12.87
JAPAN	No 119	4.800	06/99	97.3622	+0.136	7.30	7.28	7.22
	No 129	6.400	03/00	97.5884	+0.364	6.86	6.84	6.82
NETHERLANDS		8.500	03/01	98.1400	+0.410	8.83	8.85	8.84
SPAIN		11.800	07/96	99.8600	-0.102	11.89	11.90	11.87
UK GILTS		10.000	11/95	99-07	-9/32	10.40	10.38	10.28
		10.000	02/01	96-22	-9/32	10.55	10.47	10.42
		9.000	10/08	92-02	-8/32	10.23	10.15	10.11
US TREASURY *		8.000	05/01	98-08	+20/32	8.27	8.28	8.15
		8.125	05/21	98-08	+21/32	8.47	8.47	8.37

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

The benchmark 11¾ per cent gilt maturing 2003/2007 closed down ⅝ on the day at 107⅞ for a yield of 10.46 per cent.

The Bank of England will announce today the details of the UK government bond auction scheduled for June 26. Between £1bn and £2bn of gilts in the maturity range seven-15 years will go on sale.

If the Bank decides to aim the issue at foreign investors, it seems more likely to choose the existing 10 per cent Treasury stock due 2001, as this could be used to provide a liquid 10-year benchmark.

The 10 per cent gilt due 2001 is also useful for swaps hedging. The Bank sold £500m of this stock in February, bringing the total amount in issue up to £2.4bn.

If the Bank believes that demand at the auction is likely to be greater from domestic investors than from foreigners, it may choose to auction either the 9¾ per cent gilt due 2002 or the 10 per cent Treasury stock due 2003.

■US bond prices moved in a narrow range yesterday morning in light trading as the market shifted its attention to the approaching injection of fresh supply.

By midday the benchmark 30-year government issue was up ⅛ at 98¼, to yield 8.465 per cent. The two-year note was down ⅛ at 99⅜, yielding 6.973 per cent.

After several weeks of concentrating on economic issues, dealers and investors are now more consumed with the effect on the market of next week's note auctions. Details of the sale of two-year and five-year paper will be announced tomorrow, and with the market remaining in a broadly pessimistic mood, the fresh supply could undermine sentiment even further.

Fed funds eased slightly yesterday, dropping from 5¾ per cent to 5⅝ per cent. Although funds were trading below the Federal Reserve's target of 5¾ per cent, the Fed did not intervene to push the rate higher.

■THE JAPANESE government bond market recovered ground yesterday following a sharp rise in yields last week.

The benchmark government bond issue No 129 closed the Tokyo day on a yield of 6.545 per cent, against an opening level of 6.86 per cent.

Today, first-quarter gross national product statistics are expected, as are M2 (narrow money supply) figures for May. The market is also awaiting details of a government bond auction tomorrow.

GOVERNMENT BONDS

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6.10 pm on June 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Fund managers angry at their exclusion from Swift

By Richard Waters

FUND managers reacted angrily yesterday to a decision to refuse them entry to Swift, the bank-owned payments and financial messaging system.

At Swift's annual general meeting last Friday, 68 per cent of the bank shareholders voted to allow fund managers into the system – short of the 75 per cent majority needed.

Mr Andrew Palmer, director of finance and operations at Legal and General Investments, part of the big UK insurance group, said of the banks' decision: "I find it absolutely crass. It struck me as an excuse to keep us out."

Fund managers, who had campaigned to be allowed in, said being in Swift would have eased their administration for settling securities bargains. Being kept out would force them to look to other financial networks which could lead to them bypassing the banks.

"It's very disappointing for the securities industry as a whole that fund managers have been kept out," said Mr David Batten of S. G. Warburg, which handles the administration of securities bargains by its own fund management business, Mercury Asset Management, as well as other investors.

Access to Swift would have allowed fund managers to automate their settlement instructions, cutting out much of the administration that currently takes place. The gradual introduction of shorter settlement periods around the world has made it important for settlement messages to be automated in this way.

Being in Swift "would probably save a day in processing settlement instructions," said Mr Batten – helping to reduce significantly the number of international securities transactions that currently fail during the settlement process.

Mr Palmer claimed that the banks themselves could eventually suffer from the decision. "If we [Legal and General] can't become members of Swift, we will develop our relationship with Euroclear – we simply won't need banks so much."

Opposition to the fund managers is believed to have come mainly from US banks which operate the largest global custody businesses. They have argued that allowing fund managers into the system would lead to them bypassing the global custodians.

Fund managers say, though, that using Swift would enable them to communicate with global custodians more effectively, and that being kept out of Swift is more likely to lead them to develop ways round the custodians.

Adviser to Barclays warns on EC scheme

By David Lascelles, Banking Editor

AN EC-wide banking and payments system – one of the aims of the commission – should not automatically be open to any bank which wishes to participate, according to Barclays Bank's EC adviser.

In a study on the future of EC payments systems, Mr Malcolm Levitt says "banks should be free to decide whether or not to accept another bank as a risk". If any bank could participate, there would have to be "bulkheads" in the system to prevent a banking crisis in one country spreading to another, and that would be unrealistic.

The study is a response to the commission's proposals last September for a European payments system to reduce costs and delays in cross-border payments, and speed up growth of the single market.

Mr Levitt says proposals for pan-European systems, particularly those imposed by the authorities, are probably unrealistic because they might force banks to assume risks they would not normally take.

He says participants should agree on objectives for a European payments system. These include the need for fair charges, reduction of payment uncertainty, responsiveness to customer needs, adaptability, and control of risk. Any system imposed from above would be unlikely to achieve these aims, so a market-based approach would be more desirable, Mr Levitt argues.

The commission has no plans to mandate a payments system. But the preference of Sir Leon Brittan, the commissioner responsible for financial services, is for a new institution that would link existing national systems.

Mr Levitt says this would require a substantial investment in software, with the risk that development would be paced by the slowest, least sophisticated member.

Future European Payments Systems by Malcolm Levitt. £1.50. National Institute of Economic and Social Research, 2 Dean Trench Street, London SW1P 3HE.

Norway launches debut Ecu issue

By Sara Webb and Tracy Corrigan

TWO Norwegian borrowers tapped the Ecu Eurobond market yesterday, with the Kingdom of Norway issuing its first, long-awaited Ecu1bn bond in a rather sluggish market.

The Kingdom of Norway's five-year issue, which is lead managed by Paribas Capital Markets, is partly to refinance debts which mature in October. More importantly it is a sign that Norway – which linked its currency to the Ecu recently – wants to establish its position in the Ecu bond market with a benchmark issue.

The issue has a coupon of 9 per cent and was priced at 99.9 to yield 9.026 per cent. This compares with a yield of 9.05 per cent on five-year Kingdom of Belgium paper. Some traders pointed out that this made the deal look rather tightly priced.

INTERNATIONAL BONDS

Norway has a better rating and is a less frequent borrower than Belgium, but investors had expected the Norwegian bond to yield slightly more than the Belgian bond, so some of the issue was left unsold, traders said.

Norsk Hydro, which is 51 per cent owned by the Norwegian state, issued a seven-year Ecu150m bond with a coupon of 9⅝ per cent. It was priced at 101.45 to yield 9.625 per cent and lead managed by Morgan Stanley.

The issue was largely preplaced with institutions yesterday and received some retail interest. Traders said the Kingdom of Norway's much larger Ecu issue did not attract investors away from Norsk Hydro's issue: the sovereign debt is of more interest to institutions and central banks while the corporate debt is aimed at retail investors.

The Province of Ontario's C$500m Eurobond issue shows that Canadian borrowers are still tapping the market, although the glut of Canadian paper in recent days has rather dampened interest.

The Province, which has a large budget deficit, is attracted to the Euromarket where borrowing is cheaper than in the domestic market. The issue has a coupon of 10⅜ per cent to yield 61 basis points over the 9¾ per cent Canadian government bond due 1998, though the yield spread widened to around 65 basis points by late afternoon.

The Province of Ontario's most recent seven-year Eurobond issue is trading at 59 basis points over the comparable government bond. The lead manager, Deutsche Bank Capital Markets, said that investors from Japan, Europe and the Middle East had shown an interest in the issue.

Lafarge Coppée, France's largest cement and construction materials group, brought an unusual issue of zero-coupon bonds priced at par, with redemption linked to the performance of the company's shares. The deal, arranged by Caisse des Depôts and Bankers Trust, will not be actively traded. Bankers Trust has previously structured similar deals, linked to the French stock index.

Meanwhile, in the equity warrants sector, WestLB is expected to announce a DM630m bond with warrants for Asahi Glass later this week. The bond is expected to have a four-year maturity with a coupon of 4 per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
Kingdom of Norway(a)‡	1bn	9	99.90	1996	¼/⅛	Paribas Cap Mkts
Norsk Hydro(a)‡	150	9⅝	101.45	1998	1⅞/1⅛	Morgan Stanley Int
CANADIAN DOLLARS						
Province of Ontario(a)‡	500	10⅜	101⅝	1998	1⅞/1.675	Deutsche Bk Cap Mkts
FRENCH FRANCS						
Lafarge Copee(b)‡	800	zero	100	1994	1⅛	Caisse des Depots
LIRE						
GTE Finance Corp(a)‡	150bn	12⅛	101.30	1995	1⅝/1⅛	Banca di Roma
D-MARKS						
Shinko Shoji Co.(a)¶	80	4	100	1995	2¼/1½	Dresdner Europe GmbH
SWISS FRANCS						
Iida Construction(a)★★†	20	7¼	100	1996		Daiwa(Swiss) Kgya Bk

★★Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Repayment linked to performance of Lafarge Copee's share price

Soft commissions use doubles

THE use of soft commission by UK fund managers doubled last year as official disapproval of the practice eased, according to research by Greenwich Associates, a US research company, writes Richard Waters.

Soft commissions – which involve stockbrokers refunding a proportion of the commissions paid to them by fund managers in the form of services – have been branded "kickbacks" in some quarters. The Securities and Investments Board, the chief UK investment watchdog, last year ended a long argument over the practice when it decided not to ban soft commissions.

According to Greenwich, 13 per cent of institutional broking business in the UK was conducted under soft commission agreements in the year to March 1991. In the previous year, it was around 6 per cent. Greenwich's research was based on interviews with 165 institutions.

Soft commission houses attribute the rapid growth to the SIB's decision last year, which has made the practice acceptable. The growth of soft commission business will further damage already struggling UK stockbrokers, since it reduces the commissions they retain. The position was made worse after a price war last year, launched by Warburg Securities, which agreed to refund up to 83 per cent of commissions compared with the more normal 50-65 per cent.

The SIB had at one stage planned to impose a ceiling on the amount of soft commission business institutions could undertake. Although it has dropped the idea, it has said it will keep a close eye on the amount of broking business done this way.

● Some 31 per cent of managers used derivatives during the year, compared with 16 per cent the previous year, according to the Greenwich research.

Chairman of Basle committee dies

MR Huib Muller, the Dutch central banker who chaired the Basle Committee on Banking Supervision, died yesterday after a prolonged illness. He was 54, writes David Lascelles. As chairman of the Basle Committee he became one of the leading figures in the field of international banking supervision.

Jardine in London listing

By Angus Foster in Hong Kong

JARDINE Strategic Holdings, part of the Jardine Matheson group, has applied for a listing on the London Stock Exchange.

The move is the latest in a string of overseas listings by the group. Parent company Jardine Matheson is in the process of negotiating with the Hong Kong authorities to move its primary listing to London in the face of political uncertainty facing Hong Kong's 1997 return to Chinese sovereignty.

Jardine Strategic, which owns 36 per cent of Jardine Matheson, is already listed in Hong Kong, Singapore and Luxembourg.

Royal Bank of Scotland to use ADRs to raise capital

By Tracy Corrigan

THE Royal Bank of Scotland plans to raise core capital by issuing preference shares in the US market in July.

The issue, already filed with the Securities and Exchange Commission, the relevant US authority, will total around $200m. The 8m non-cumulative preference shares, to be priced at $25 per share, will take the form of American depository receipts.

The US market is the most appropriate "in terms of both pricing and investor appetite for preference shares", said Mr Grahame Whitehead, deputy group finance director at the Royal Bank.

Merrill Lynch, Goldman Sachs and Lehman brothers will underwrite the offering.

The issue will restore the bank's capital to the level of March 1990, according to Mr Whitehead. Since then, the bank's assets have grown, but it has raised no new capital for the last 21 months.

The preference shares will boost the Royal Bank's Tier 1 capital from 6.7 per cent to 7.2 per cent, and its total capital from 11.1 per cent to 11.6 per cent. These levels are already comfortably above the recommended targets of 4 per cent (Tier 1) and 8 per cent (total capital), relative to assets, under the Basle guidelines on international capital.

The Bank of England has confirmed that the issue will qualify as Tier 1 capital, under capital adequacy guidelines.

Femcon system to replace open outcry in Athens

By Kerin Hope in Athens

THE Athens stock exchange council has selected Femcon Associates of Boston to establish a computer-assisted trading system to replace the open outcry method.

Femcon systems are in use at the Boston, Los Angeles and San Francisco stock exchanges and on the New York commodities exchange.

Electronic trading in Athens is expected to start at the end of the year, according to Professor Nikitas Niarchos, the bourse president. The timetable may depend on the willingness of the Greek post office to speed up the long-delayed installation of digital switching systems in the Athens financial district.

Brokers will be able to trade in 130 listed issues from terminals in their offices or the exchange building. The system will automatically match share bids and offers and guarantees a 1.5 second response.

The tender calls for 500 terminals with the capacity to execute 40,000 orders an hour. Shares will be traded at first, but the system will be expanded to include bonds, options and futures.

Later, Femcon will extend the system to the northern city of Salonica.

The Femcon proposal calls for using Stratus computers and a telecommunications network supplied by Telindus of Belgium. Femcon will provide the software. Cost is estimated at Dr700m ($3.8m).

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday June 17 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Jun 14 Index No.	Thu Jun 13 Index No.	Wed Jun 12 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (186)	831.20	-0.1	10.94	5.83	11.24	17.53	832.18	833.16	834.65	909.58
2 Building Materials (24)	1055.72	-0.3	9.90	5.87	12.60	28.15	1058.78	1059.95	1064.98	1133.56
3 Contracting, Construction (31)	1272.77	-0.2	9.01	6.34	14.60	31.53	1275.30	1284.43	1298.45	1421.86
4 Electricals (10)	2395.23	–	10.97	5.59	11.61	61.85	2396.61	2395.14	2402.85	2619.14
5 Electronics (25)	1748.54	+0.3	8.90	5.15	14.96	10.00	1743.36	1737.71	1735.37	1898.86
6 Engineering-Aerospace (8)	422.55	+0.5	16.52	5.93	7.28	10.83	420.59	422.06	425.05	491.70
7 Engineering-General (47)	451.34	-0.1	12.23	5.79	9.90	9.84	450.96	450.01	449.40	503.19
8 Metals and Metal Forming (8)	461.53	-0.7	19.60	7.49	6.27	3.76	464.62	465.93	463.48	496.76
9 Motors (13)	330.48	-0.5	12.00	7.34	9.82	9.98	332.08	330.05	329.48	376.62
10 Other Industrial Materials (20)	1520.80	-0.2	9.28	5.28	12.69	33.45	1523.82	1529.21	1529.13	1657.48
21 CONSUMER GROUP (188)	1483.51	-0.1	7.98	3.67	15.41	22.39	1485.71	1476.42	1481.73	1315.24
22 Brewers and Distillers (22)	1824.30	-0.3	8.52	3.61	14.29	27.30	1829.60	1830.58	1833.86	1614.16
25 Food Manufacturing (20)	1170.69	+0.2	9.74	4.23	12.58	22.69	1168.36	1166.20	1168.36	1106.77
26 Food Retailing (16)	2698.59	-1.4	8.07	3.10	16.27	39.42	2736.75	2739.03	2739.50	2470.49
27 Health and Household (21)	3578.94	+1.1	5.36	2.40	21.30	30.21	3540.96	3460.93	3490.67	2606.67
29 Hotels and Leisure (23)	1287.60	-0.4	10.18	5.58	11.66	23.85	1292.99	1295.10	1301.81	1493.11
30 Media (26)	1422.89	-0.9	9.18	4.95	13.79	29.60	1435.84	1433.16	1435.25	0.00
31 Packaging, Paper & Printing (17)	697.76	-0.3	7.98	4.73	15.16	14.33	700.18	698.28	697.63	607.26
34 Stores (33)	907.48	-0.9	8.50	4.06	15.40	15.89	915.41	911.88	915.05	833.14
35 Textiles (10)	553.57	-0.3	9.68	5.64	12.76	11.43	555.00	561.75	559.95	503.08
40 OTHER GROUPS (107)	1238.13	–	9.87	5.17	12.42	16.87	1238.81	1235.74	1236.99	1203.84
41 Business Services (12)	1240.37	-0.4	9.35	5.25	13.07	13.23	1245.50	1221.36	1214.82	0.00
42 Chemicals (21)	1405.39	+1.1	8.31	5.13	14.00	32.35	1389.50	1377.65	1384.77	1328.46
43 Conglomerates (10)	1466.44	-1.1	10.38	7.08	11.62	31.93	1483.12	1490.81	1488.55	1703.99
44 Transport (13)	2229.25	+0.5	10.73	4.73	11.49	38.36	2218.71	2215.79	2218.18	2306.98
45 Electricity (14)	1207.54	+0.2	11.48	5.52	10.91	0.00	1204.67	1204.28	1207.90	0.00
46 Telephone Networks (4)	1485.19	-0.8	10.02	4.10	13.05	5.00	1497.25	1496.57	1489.27	1285.23
47 Water (10)	2310.33	-0.6	17.21	6.51	6.44	39.69	2323.80	2349.86	2376.71	1971.28
48 Miscellaneous (23)	1948.20	+1.0	5.95	4.88	21.57	42.19	1928.14	1909.86	1920.03	1811.04
49 INDUSTRIAL GROUP (481)	1247.19	-0.1	9.17	4.57	13.40	19.68	1248.60	1244.12	1247.12	1192.77
51 Oil & Gas (19)	2400.46	+1.0	11.31	5.70	11.64	50.59	2377.80	2368.51	2378.93	2293.56
59 500 SHARE INDEX (500)	1345.39	–	9.44	4.72	13.15	22.18	1345.09	1340.21	1343.78	1285.83
61 FINANCIAL GROUP (97)	790.84	-0.2	–	6.03	–	20.54	792.13	795.46	793.26	801.17
62 Banks (9)	876.09	-0.6	7.87	6.32	18.42	22.63	881.78	892.27	888.09	844.69
65 Insurance (Life) (7)	1506.54	+0.7	–	5.49	–	61.64	1496.67	1501.10	1487.97	1422.40
66 Insurance (Composite) (6)	674.05	+1.5	–	6.50	–	20.23	664.07	661.06	657.96	697.41
67 Insurance (Brokers) (8)	1116.06	-1.3	7.11	6.02	18.31	29.60	1130.41	1130.38	1119.96	1022.61
68 Merchant Banks (7)	423.31	-0.7	–	4.96	–	10.87	426.33	427.29	428.07	454.60
69 Property (40)	929.29	-0.6	6.74	5.19	20.53	18.80	934.58	931.16	939.17	1090.35
70 Other Financial (20)	274.94	-1.5	9.48	6.81	13.10	7.07	279.17	280.32	281.24	300.85
71 Investment Trusts (70)	1221.62	–	–	3.45	–	18.66	1222.03	1219.59	1214.60	1223.81
99 ALL-SHARE INDEX (667)	1211.78	–	–	4.86	–	21.47	1211.85	1208.74	1210.86	1169.29

	Index No.	Day's Change	Day's High(a)	Day's Low(b)	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Year ago
FT-SE 100 SHARE INDEX♦	2524.0	+1.7	2524.1	2518.7	2522.3	2514.6	2520.2	2542.6	2511.9	2370.5

FIXED INTEREST

PRICE INDICES	Mon Jun 17	Day's change %	Fri Jun 14	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (29)	120.94	-0.04	121.34	1.97	5.33
2 5-15 years (28)	128.74	-0.21	129.63	1.81	6.73
3 Over 15 years (9)	134.89	-0.39	135.42	1.99	6.05
4 Irredeemables (6)	148.40	-0.30	148.85	1.66	6.35
5 All stocks (72)	128.50	-0.17	129.18	1.90	6.26
Index-Linked					
6 Up to 5 years (1)	158.93	-0.05	159.00	0.31	2.72
7 Over 5 years (10)	145.80	-0.20	146.10	0.89	1.89
8 All stocks (11)	146.74	-0.20	147.03	0.88	1.91
9 Debs & Loans (66)	108.96	+0.11	109.02	1.96	5.03

AVERAGE GROSS REDEMPTION YIELDS		Mon Jun 17	Fri Jun 14	Year ago (approx.)
British Government				
1 Low	5 years	9.04	9.02	11.07
2 Coupons	15 years	10.15	10.11	10.77
3 (0%-7¾%)	20 years	10.15	10.11	10.71
4 Medium	5 years	10.48	10.45	12.09
5 Coupons	15 years	10.41	10.36	11.24
6 (8%-10¾%)	20 years	10.33	10.27	11.02
7 High	5 years	10.67	10.63	12.19
8 Coupons	15 years	10.56	10.51	11.49
9 (11%-)	20 years	10.44	10.39	11.26
10 Irredeemables		10.32	10.29	10.65
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	4.31	4.28	5.29
12 Inflation rate 5%	Over 5 yrs	4.31	4.29	4.18
13 Inflation rate 10%	Up to 5yrs	3.34	3.31	4.16
14 Inflation rate 10%	Over 5yrs	4.10	4.08	3.99
15 Debs &	5 years	11.92	11.91	13.59
16 Loans	15 years	11.69	11.69	12.87
17	25 years	11.50	11.50	12.87

♦Opening index 2521.9; 9 am 2520.3; 10 am 2522.8; 11 am 2520.1; Noon 2521.9; 1 pm 2520.8; 2 pm 2520.3; 2.30 pm 2520.3; 3 pm 2520.2; 4.10 pm 2521.9 (a) 4.28pm (b) 3.50pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	74	9
Corporations, Dominion and Foreign Bonds	0	5	15
Industrials	273	245	1,008
Financial and Properties	139	108	490
Oils	28	7	55
Plantations	0	2	8
Mines	35	40	86
Others	72	37	47
Totals	547	518	1,718

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings June 10
● Last Dealings June 21
● Last Declarations Sept. 12
● For settlement Sept. 23

For rate indications see end of London Share Service

Calls: Brent Walker, Ivernia, Monument Oil & Gas, ML Labs., Oliver Res., Owners Abroad, Peel Hldgs., Stakis, Tusker Res., Wellman Eng. Puts: Northamber.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*557)	500	62	83	90	2	8	15
	550	26	42	58	16	24	30
	600	6	24	36	47	53	58
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

BAA in line with City expectations at £247m

By Paul Betts, Aerospace Correspondent

BAA, the former British Airports Authority, reported yesterday a 3.5 per cent decline in pre-tax profits for its financial year ended March 1991, much in line with City expectations.

Pre-tax profits totalled £247m compared with £256m the year before. City analysts had forecast pre-tax profits in the range of £240m-£250m.

The decline reflected a £36.7m writedown on the value of BAA's property portfolio, as well as the difficult trading conditions in the first quarter of this year when the combination of the Gulf crisis and the economic recession caused a slump in passenger traffic at the company's airports.

However, BAA said traffic was now recovering and was "cautiously optimistic" of a return to normal traffic growth levels later this year.

Group revenues rose by 12 per cent to £834m from £747m in the previous financial year. Pre-tax profits before property provisions rose by 11 per cent from £256m to £284m, reflecting what the company called the underlying strength of its core airports business.

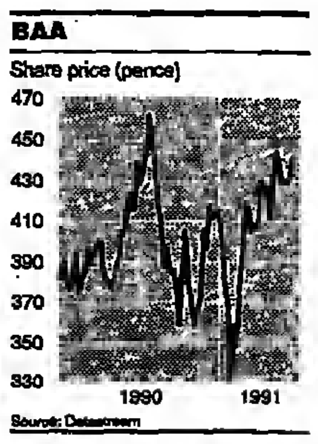
Earnings per share increased by 2 per cent to 37.8p compared with 37.2p for 1990 before an exceptional tax credit. Directors declared a final dividend of 7.75p a share making a total of 13p for the year, a 13 per cent increase on last year's 11.5p.

Passenger volume at BAA airports rose by 0.2 per cent to a record 72m in the latest financial year.

The group's capital expenditure totalled £502.6m in the latest financial year, including £384.6m for its core airport subsidiaries.

Capital expenditure is expected to be much lower in the current year but the company facee huge foture capital investment commitmeots, including the £2bn construction cost of the new terminal at Heathrow airport. A planning inquiry on the new Heathrow terminal is expected to be launched next year.

Brian Smith: to succeed Sir Norman Payne as chairman



The company aleo faced higher security and safety charges in its latest financial year. These rose by 19 per cent to £114.9m.

The UK government's recent decision to abolish the London air traffic distribution rules was expected to increase passenger volume at Heathrow airport by an additional 1m passengers this year, according to Sir John Egan, BAA chief executive.

Gatwick, be added, was still recovering from the collapse of Air Europe earlier this year, while growth at the new Stansted airport terminal complex, opened this year, was expected to be slower than originally anticipated.

However, Stansted received an eocouraging boost yesterday with the announcement that United Airlines of the US had asked the Washington authorities for approval to fly daily noo-stop services from Chicago to London's newest airport complex.

Seton shares jump on 38% profits rise

By Andrew Bolger

SHARES in Seton Healthcare Group jumped 13p to 183p yesterday after the company, which came to the market last July, reported a 38 per cent increase in pre-tax profits to £3.01m in the year to February 28. The shares were launched at 130p.

Turnover reached £30.5m, up 12 per cent on the 1989-90 pro forma figures, while earnings per share rose by 17 per cent to 12.5p. A final dividend of 3.3p gives a total of 3.7p equivalent to 4.4p for a full year.

Mr Norman Stoller, chairman, said sales to UK hospitals showed only a marginal increase over last year, underlining the cash constraints in the National Health Service. However, sales in the community healthcare market increased significantly and this meant satisfactory growth was achieved in total UK sales.

Sales to the European hospital market were lower than in the previous year, but Mr Stoller said the recent level of European sales gave him confidence that growth would be resumed this year.

Seton said its sport and leisure division reported very good increases in both turnover and pre-tax profit for the year. Sales of its football equipment range had been particularly strong, and had been helped by the Fifa ruling making the wearing of shinguards compulsory at all levels of football.

Sales and profits of the healthcare division are roughly five times those of sports and leisure. Group gearing at the year-end was 31 per cent.

Mr Stoller added: "Trading in the early part of the new year shows a anbetantial improvement over the same period last year."

● COMMENT

Seton pleased the market and analysts with these results, which were ahead of expectations. How many companies in the current climate have combined a 38 per cent increase in profits with such a hullish statement about current trading ? The group may have been lucky in the sudden concern for footballer's shins shown by Fifa, hut the bulk of the group's profits comes from the much harder market of selling to the NHS, to which it is the second biggest handage supplier after Smith & Nephew. It also seems poised to exploit the quality brands it has hought since flotation, such as Transvasin and Lloyd's Cream for muscular pain relief from Reckitt & Colman. Forecast profits of £4.5m put the shares on a prospective multiple of 12.2 – still a slight discount to the market. That seems undemanding, even despite the increase since flotation, hut further advances may be restricted by lack of liquidity – directors still hold about 30 per cent of the shares, and institutions already on board are likely to sit tight.

Brent Walker bondholders accept proposals

By Maggie Urry

BRENT WALKER shares rose 6p yesterday to 35p as the leisure gronp's bondholders signed an agreement accepting the proposals put to them under the group's refinancing plan.

Some of the hondholders, who invested £101.9m in the convertible bonds issued last November, had felt initially that the offer made to them was nnt good enough. Last week the bondholders came to an agreement with the company and its bankers, and this deal was signed yesterday. They had also agreed tn another week's delay on the first interest payment on the bonds, originally due on May 23.

The hope now is that the group, which has been in financial difficulty since last autumn, will obtain the agreement of its bankers, owed £1.3bn by the company, to the restructuring hy the weekend. Meetings with shareholders would follow in a few weeks time.

Brent Walker has been lent £20m of working capital it needed urgently by its 47 main banks. They have also been asked for another £50m of short term finance.

The 47 hanks which lent directly to Brent Walker are expected tn agree the deal, which involves converting £250m of the £970m owed to them into equity, while taking an 11.5 per cent interest rate on the rest, with the possibility that some of the interest will be rolled up in capital or converted into preference shares.

This week Brent Walker is meeting the dozen banks which lent to William Hill, the bookmaking chain which was acquired for £685m in 1989 and was originally financed off Brent Walker's balance sheet. There is some overlap between the 47 banks and the William Hill groop of lenders.

The William Hill banks, which are owed £350m, are being offered capital repaymeots as the groop makes asset sales.

Volex down 41% to £4.16m after grim second half

By Andrew Bolger

THE DISTRESSED state of the UK's housebuilding and car markets were blamed by Volex Group, the manufacturer of wiring systems and electrical accessories, for a 41 per cent drop in pre-tax profits to £4.16m in the year to March 31.

Mr Peter Frost, chairman, said the group started et low activity levels and deteriorated even further as the year progressed.

Because of increased volumes and increased competitive pressures, the gross profit margin fell by 3.1 percentage points to 12.2 per cent.

Mr Frost said: "The present trading conditions are anticipated to continue well into the curreot year. Whilst sales levels are not now showing any deterioration from the depressed levels of the second half of last year, we are not yet seeing any real sign of economic recovery taking place."

Turnover fell from £103.18m to £97.35m and earnings per share dropped from 31.6p to 17.9p. Nevertheless the final dividend was held at 10.5p to maintain the total payout at 17p.

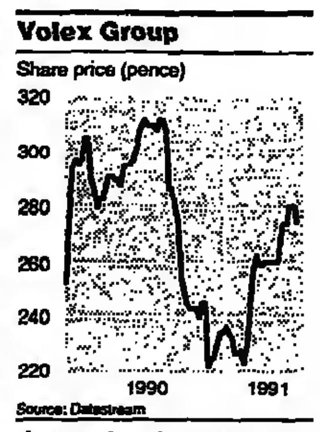
The UK recessioo had affected all divisions, particularly wiring systems and accessories.

However, the groop said Pencon, which makes moulded-on plugs and connectors, managed to offset the fall in its retail markets by e 52 per cent increase in exports to mainland Europe, the Far East and the US.

The smallest division, Raydex, which makes communications and nther specialist cables, had quickly integrated the busioess of Fothergill Cables, which was acquired in December for £2.7m. As a result of this acquisition, group gearing increased by 3 percentage points to 16.7 per cent.

● COMMENT

Volex had already made pretax profits of £3.28m in the six months to September, so its second half was truly grim, with cuts in productinn at Rover and Jaguar hitting the automotive wiring business particularly hard. However, Volex maintained its reputation with the institutions as yield stock by maintaining the only just covered dividend. That does not seem unreasonable, given the strength of the balance sheet and hopes that the group's main markets must recover eventually - even if there are no signs of upturn yet. Forecast profits of £4m next year put the shares, down 6p at 274p yesterday, oo a prospective price/earnings ratio of 16.4. The multiple is less important than the prospective yield of 8.3 per cent, but managemeot and analysts wnuld like Volex to decrease its dependence on the automotive side aod continue moving towards the higher-margin niches of computer plugs and cables.



Hilton hotels hold Ladbroke down to £306m

By David Churchill, Leisure Industries Correspondent

MR CYRIL Stein, chairman of the Ladbroke Group, yesterday repeated his warning that trading in the Hilton International hotels part of the group had been disappointing in the first half of the current financial year.

Mr Stein, speaking at the Ladbroke annual general meeting held at the Hilton hotel in London's Park Lane, said that the trading pattern for Hilton in the first half of the year "has been disappointing, with the first quarter dramatically affected by the [Gulf] war".

Although Mr Stein had made a similar warning at the time he announced the company's preliminary results in March, the City reacted nervously and the shares closed down 5p on the day at 263p.

In the last financial year, to December 30 1990, the Ladbroke Group – including the Texas Hnmecare chain and high-street betting shops as well as Hilton hotels outside the US – produced only a slight increase in pre-tax profits from £302.2m to £305.8m.

Mr Stein told shareholders yesterday that the signs suggested that demand for hotel accommodation would show "material improvement" in the second half of the current year.

"With Hilton operating worldwide as it does, I am happy to say that the indications are there," he added. The hotel chaio had its highest ever level of room reservations made through its central computer in May of this year.

Mr Stein also said that cost-cutting in the group "would impact positively on 1992 and the years that follow".

Reject Shop edges ahead to £743,000

By John Thornhill

Annnal pre-tax profits at Reject Shop, the housewares retailer, edged ahead from £743,000 to £763,000 in the face of the most difficult trading conditions in the company's 18-year history.

Although turnover in the year to March 17 increased by 17 per cent to £30.36m, the company said sales at Christmas had fallen from the previous year's levels.

Trading profits grew by 23 per cent to £1.06m but these were pegged back by high interest charges of £299,000 (£121,000).

Earnings per share rose from 4.58p to 4.88p. The board has recommended a final dividend of 2.1p which will leave the total pay-out unchanged for the second successive year at 3.15p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BAA	fin	7.75	Aug 12	7	13	11.5
Bertam Holdings	fin	2	Aug 6	2.2	2	2.2
BET	fin	9☆	Aug 29	9	13.25	13
Cranswick Mill §	fin	4.5	July 31	3.7	6.5	5.55
Davenport Knit	fin	8.03	Oct 1	8.03	8.03	8.03
Electronic Data	int	1.75	Aug 5	0.775	-	3
Harrison Inds	fin	1.25	Aug 16	5	3.25	7.3
Hoskyns	int	0.75†	Aug 8	0.75	-	2.4
Reject Shop §	fin	2.1	July 31	2.1	3.15	3.15
Rock	fin	-	-	0.75	-	0.75
Seton Healthcare	fin	3.3	July 31	-	3.7	-
Treatt §	int	1	Oct 9	1	-	3.25
Volex	fin	10.5	Oct 1	10.5	17	17

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

Scot. American Inv.	July 17
TR High Inc. Tst.	June 24
Finals-	
Amber Industrial	June 24
Berkeley Group	June 27
Braithwaite	June 19
Bulmer (HP)	July 17
[illegible]	[illegible]

COMPANY NEWS IN BRIEF

ARGYLL GROUP: in the rights issue of 158.2m shares, valid acceptaocee have heeo received in respect of 154.28m, or 97.52 per cent. The balance hes heeo sold in the market.

CUSSINS PROPERTY: acceptances for its rights issue have been received in respect of 4.76m shares, or 66.74 per ceot, of which 1.05m have been taken under irrevocable commitments and 2.85m had been conditionally placed before the announcement of the righis issue.

STYLO MATCHMAKERS International has acquired an 80 per cent interest in Cottage industries (Equestrian), maker of equestrian accessories, for £1.8m in cash. Included in the purchase is its Maltese subsidiary, Monico.

Erring on the, er, conservative side

Clare Pearson investigates the gaps – up to 20% – between the regional electricity companies' forecast and actual profits figures

THE 12 regional electricity companies (Recs) of England and Wales are poised this week to swell the ranks of privatised companies producing bumper increases in profits.

Their reporting season kicks off tomorrow when East Midlands Electricity is expected to report historic pro forma pre-tax profits for the year to March 31 of £90m or more. This compares with the £76.3m shown in November's prospectus for the privatisation flotation.

Mr Nigel Burton, analyst at SG Warburg Securities, expects the companies to announce pre-tax profits which, on average, will be 15-20 per cent higher than those shown in the prospectus. (There was only one, all the companies had a separate section.)

They will also be able to be confident about the current year when, says Mr Burton, operating profits are likely to rise by some 40 per cent.

These results will, however, raise no eyebrows among those familiar with the way the profit forecasts were made in the prospectus. To explain this, one has to delve a little into the peculiarities of the way the companies were privatised.

The Recs derive most of their profits from the stable business of charging for the use of their wires. But they are also involved in the final supply of electricity to customers – highly volatile because it has very large costs and revenues, but small margins.

When the companies were writing the prospectus in the early autumn, they knew what prices they had got for supply earlier in the year. But they did not know how the pool, the new wholesale electricity market, would work during a winter, because it had not been in existence for one. Additionally, the Gulf crisis had just sent oil prices, a large component of their costs, shooting up.

Accordingly, in making their profit forecasts they erred on the conservative side and, as it turned out, were over-pessimistic. However, each company clearly flagged that it was doing so in the prospectus by showing additionally how much it could have made in the supply business, had it achieved the margin allowable under the regulatory regime for that number of units of electricity sold.

Because of this conservatism, dividend cover on the prospectus forecasts was quite low, at below 2 times in many cases. It will clearly be better in the reported figures. There was another distortion in the profits forecasts, affecting the distribution side. This arose from what, as the companies themselves said at the time, was an over-optimistic government inflation estimate.

Prices to most customers are indexed to inflation rates as at October. Last year, the companies had imposed upon them by the government a forecast of 6 per cent while in fact inflation turned out to be 10.9 per cent.

But the regulatory regime allows them to make up money lost through misforecasting in one year by increasing charges in the next. That is the reason charges were increased by, on average, more than 10 per cent this April – a move which will swell profits this year.

It is enough to make one wonder whether the results announcements which will be coming out over the next few weeks will be totally opaque to the layman.

However, analysts expect that some underlying features will emerge. Warburg's Mr Burton highlights the companies' balance sheets: he says they have ended the year with significantly lower gearing than was expected at privatisation.

In several cases, he says, capital expenditure was below the level forecast in the prospectus either because those estimates were inflated, or because the recession led to deferrals, or because of better management control.

Despite the rosy profits picture, there is no panic in the City that the industry's regulator will crack down on the companies, as the water regulator has threatened to do.

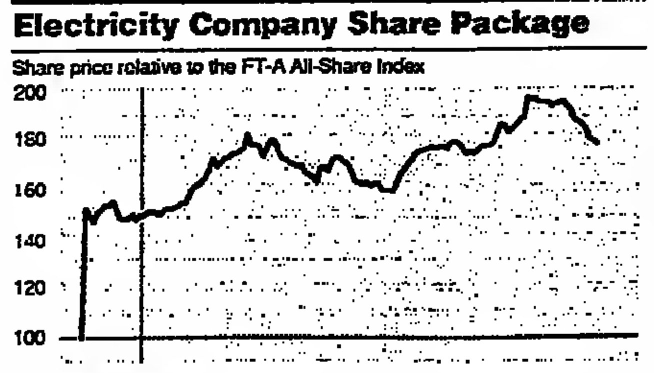
For one thing, in the case of water, the point of regulation is to ensure the companies have enough money to carry out their big capital expenditure programmes.

In electricity, it is a question of acceptable rates of return and Mr Rowland says he expects Professor Stephen Littlechild, the electricity regulator, to wait to see how the new system develops before he starts tampering with the current regime.

The Recs are, however, thought to be mindful of the adverse publicity the water companies have attracted by pushing up dividends. That, as well as the low cover on the basis of their forecasts, means they are expected to keep dividends to the prospectus level.

There are, however, hopes in some quarters that South Wales – last to report on July 10 – may break ranks and slightly exceed its dividend forecast. With Welsh Water sitting on an unwelcome stake of nearly 10 per cent, it has every incentive to keep its share price up.

Electricity Company Share Package



Source: Datastream

Hoskyns up 5% but growth record likely to fall this year

By Alan Cane

HOSKYNS' RECORD of more than a dozen consecutive years of growth looks likely to fall this year as the computing services business heads into the worst market conditions in its history.

The UK-based software and services group, in which Cap Gemini Sogeti (CGS) of France has a 70 per cent stake, showed a five per cent growth in pre-tax profits to £8.6m in the first six months to April 30, compared with £8.2m for the corresponding period of 1989-90.

Turnover, however, slipped from £111.7m to £102.8m as facilities management contracts with the London Residuary Body and GEC came to an end.

Mr Geoffrey Unwin, executive chairman, said he was pleased the company had managed to turn in a strong first half performance but warned that worse was to come: "At present, there is no sign of an upturn in the market and it is unlikely that our profitability in the second half will match that of the first six months".

Hoskyns' share price slipped 2p on the day to close at 358p.

First-half earnings per share edged ahead to 6.4p (6.3p) and the company is paying an unchanged interim dividend of 0.75p.

Mr Unwin said the company had reacted rapidly to the change in market conditions. There had been substantial restructuring resulting in a net loss of 330 jobs through a mixture of redundancies and natural wastage. The group's direct operations in Australia, where recession has been particularly strong, have been closed down.

Mr Unwin said there was a difference between the current situation and the recession of 1981 – then companies had continued to invest in information technology while today the information systems department had to take its share of cuts.

He believed that companies would spend an increasingly large proportion of their computing budgets buying in services, such as facilities management.

CGS is committed to making an offer in early 1993 for the Hoskyns' stock it does not own at a price of either 369p or 23 times earnings. Given Mr Unwin's gloomy assessment of future trading conditions, it seems the earnings multiple is unlikely to break the 469p barrier. At that price the compound annual yield would be about 17 per cent over the period.

● Companies in niche markets can still show healthy growth. Electronic Data Processing, which distributes US made Mentor computer systems and its own Mentor Merchant software in the UK and mainland Europe, more than doubled pre-tax profits to £1.87m (£822,000) in the six months to March 31. Sales were virtually unchanged at £8.65m (£8.33m). Mentor Merchant is distribution software for the building and plumbing trades.

Earnings per share were 14.69p (7.14p) and the interim dividend is 1.75p (0.775p).

Mr Michael Heller, chairman, said the full year results would be substantially ahead of the previous year, although he did not expect such a dramatic increase in the second half.

Court decides in Chelsea/Cabra battle over ground

By Vanessa Houlder, Property Correspondent

THE long-running dispute over the Chelsea Football Club's Stamford Bridge ground came a step closer to resolution yesterday when the High Court ruled that Chelsea's option to buy the ground related to its value in August 1988.

Mr Ken Bates, Chelsea's chairman, had argued that the price of the 11.7-acre site in Fulham Road should be its present value, which would be much less than its value three years ago.

Mr John Duggan, chairman of Cabra Estates which owns the ground, said that the High Court's decision made the redevelopment of the site more likely, as Chelsea would be unlikely to pay the 1988 price.

"If he [Mr Bates] fails to complete we will repossess the site," he said, although he added it was probably not his intention to evict a football club in mid season.

The High Court also confirmed the validity of the appointment of Mr William Wells, a partner in Chesterton, the London firm of surveyors, who will now determine what the value of the ground was in August 1988. Savills, another firm of surveyors, valued it at between £40m and £60m in July that year.

Cabra Estates has been in dispute with Chelsea's chairman virtually since it acquired the ground from Marler Estates in April 1989.

ICD placing and open offer to fund purchase

INTERNATIONAL Communication & Data, the business services group, yesterday announced the acquisition of Limebrook Computers, a data processing company, and also a placing and open offer of 13.79m new ordinary shares at 14.25p per share, to raise about £1.84m, net of expenses.

ICD said proceeds of the placing and offer would meet the initial consideration of £315,000 and repayment of £985,000 of various loans outstanding from Limebrook, and the provision of net working capital of about £540,000 for ICD.

Limebrook, through its trading subsidiary Lindor, is a major supplier of computer services to the direct marketing industry and provides data processing services. ICD currently undertakes little data processing and sub-contracts the vast majority of such work, spending over £2m on data processing in its last financial year.

ICD has been a customer of Lindor since 1988 and believes that the purchase will result in savings and benefits once its increasing data processing requirements are handled in-house.

The initial consideration will be satisfied by a vendor placing of 2.21m new ordinary shares. A further amount of up to £250,000, to be satisfied by the issue of up to 1.75m shares, is dependent on future Limebrook profits.

Gardner £4m cash call and warns on first half

DC GARDNER, which has interests in education and vocational training, businesses services and management consultancy, is proposing to raise £4.1m net by way of a one-for-two rights issue of 9.13m shares at 50p per share.

The directors said that, with the current weakness in the markets and its seasonal trading pattern, first-half 1991 operating profits would be "very disappointing".

However, they expect to be able to recommend a total dividend for 1991 of 3.75p (4.5p).

Since the company has insufficient authorised but unissued share capital to implement the issue, it needs the approval of shareholders, which will be sought at an extraordinary meeting on July 1.

The issue has been fully underwritten by Henry Ansbacher and Co.

NEWS DIGEST

Harrison Industries falls 75%

THE RECESSION and the Gulf war combined to leave annual pre-tax profits of Harrison Industries down by 75 per cent at £732,000, against £2.91m. The result was also affected by interest charges up from £397,000 to £905,000 because of acquisitions, writes Nigel Clark.

The shares lost 5p on the day to close at 63p.

Mr Ken Harrison, chairman, said that in the 12 months to the end of March 1991 the castings division had a poor year. The Industrial doors division was affected by pressure on margins and low orders, although the French company had a good year.

Domestic products had a satisfactory year and power transmission held its market position and produced excellent results.

Contracts in the Gulf had had to be terminated at considerable cost, Mr Harrison said.

Annstar Group was bought in June 1990 for £570,000 cash followed by Henderson Doors in March 1991 for a maximum £1m cash. These plus new plant and buildings increased gearing at the end of the period to 43 per cent.

However Mr Harrison said that there were several properties for disposal which should produce between £2m and £3m when the market was right.

Turnover for the period was £44.73m (£44.12m) for operating profits of £1.78m (£3.31m) There was an exceptional charge of £147,000 relating to contract provisions and relocation costs.

Below the line there was an extraordinary charge this time of £151,000 compared with a credit last time of £308,000.

Earnings per share were down from 15.5p to 4p and a reduced final dividend of 1.25p (5p) is recommended making a total for the year of 3.25p compared with 7.3p.

£17.8m purchase by ASW

ASW Holdings, Cardiff-based steel and wire group is paying £17.8m for Bird Fragmentation, which operates scrap plants at five sites in England and Wales. A further £9m could become payable dependent on profits for the next three years.

Of the £17.8m initial payment £7.3m relates to the Bird shares and the balance covers the discharging of intra-group debt between Fragmentation and the Bird Group.

Fixed assets and working capital of Bird Fragmentation at completion will be about £10.5m. In its last financial year it reported operating profits of £4.8m. It has been a major supplier to ASW for many years.

Rock refinancing after £1.23m loss

Rock, industrial and motor parts distributor, is to change its name to Caverdale Group and embark on a refinancing programme via a £627,000 underwritten rights issue and subscription by new investors for £500,000 secured convertible loan stock.

The aggregate proceeds of £912,000 after expenses will be used to reduce borrowings and ensure the financial stability of the group.

The name change and refinancing were announced together with Rock's results for the year ended December 31.

The company made a pre-tax loss of £857,000 against a profit of £402,000, on turnover up from £8.91m to £11.07m. The total loss after provisions was £1.23m.

Losses per share came out at 6.93p, compared with earnings of 3.35p and the dividend payment has been passed. There was a payment of 0.75p last time.

The company has sold three subsidiaries which were incurring losses and is negotiating the sale of Kingston Cutting Tools.

Proteus loses £1.5m since flotation

Losses before tax of Proteus International, a specialist in advanced technology and computer-aided drug design, amounted to £1.5m in its first year-end result since flotation on the USM at the end of May last year.

Turnover in the period, from May 14 1990 to March 31 1991, was just £7,000 and research and administrative expenses totalled £1.66m. The pre-tax loss was struck after net interest receivable of £155,000. Losses per share came out at 7.01p.

Mr Kevin Gilmore, the chairman, said that the company's net cash position remained strong, with balances of £2.1m at the end of the period.

With drug manufacturers' margins under pressure, the need to bring new products onto the market quickly was increasing the demand for computational technology, he added.

Davenport Knitwear recovers to £0.94m

Davenport Knitwear reported a profit recovery in 1990 with taxable profits 56 per cent ahead at £944,000, compared with £606,000. The proposed single final dividend is maintained at 8.03p.

The result for this West Midlands-based company was achieved on turnover of £6.76m (£6.27m), an increase of 8 per cent. After tax of £320,000, against £215,000, earnings per share came out at 35.98p (22.51p).

Bertam hit by poor trading conditions

Poor trading conditions brought about by the weakness of palm oil and rubber prices and the stronger pound against the Malaysian ringgit, led to a fall in pre-tax profits at Bertam Holdings, the plantations operator, from £1.41m to £810,000 in 1990.

However, extraordinary gains of £621,000 – related both to compulsory acquisitions of estate land and to property disposals by associated companies – meant after-tax profits came out ahead at £1.15m (£916,000).

Earnings per 10p share were 2.62p (4.58p) before extraordinaries, or 5.73p (4.58p) after. The proposed single final dividend has been cut from 2.2p to 2p.

Florida operation holds back Treatt

Half-year profits at Treatt, the USM-quoted manufacturer of essential oils and food flavours, were virtually static at £506,000 pre-tax for the six months to March 31. Last time the company made £502,000.

Turnover was down at £5.23m (£5.31m) and earnings per share came out slightly ahead at 3.49p (3.46p).

The US-based Florida Treatt is taking longer than expected to become profitable although the principal operating subsidiary, RC Treatt, turned in higher profits than last time.

The interim dividend is maintained at 1p.

Cranswick Mill jumps 50% to £1.4m

Cranswick Mill, the grain, pig feed, pig-rearing and pork products company, lifted taxable profits by just under 50 per cent in the year to March 31.

From £921,000, the USM-quoted group made £1.38m pre-tax on turnover of £75.04m (£64.64m), a rise of 16 per cent.

Mr Richard Marginson, chairman, said that all of the group's activities had performed well and that trading in the current year continued to be encouraging.

Gearing was low and, at the year-end, borrowings were £856,000 and had fallen since.

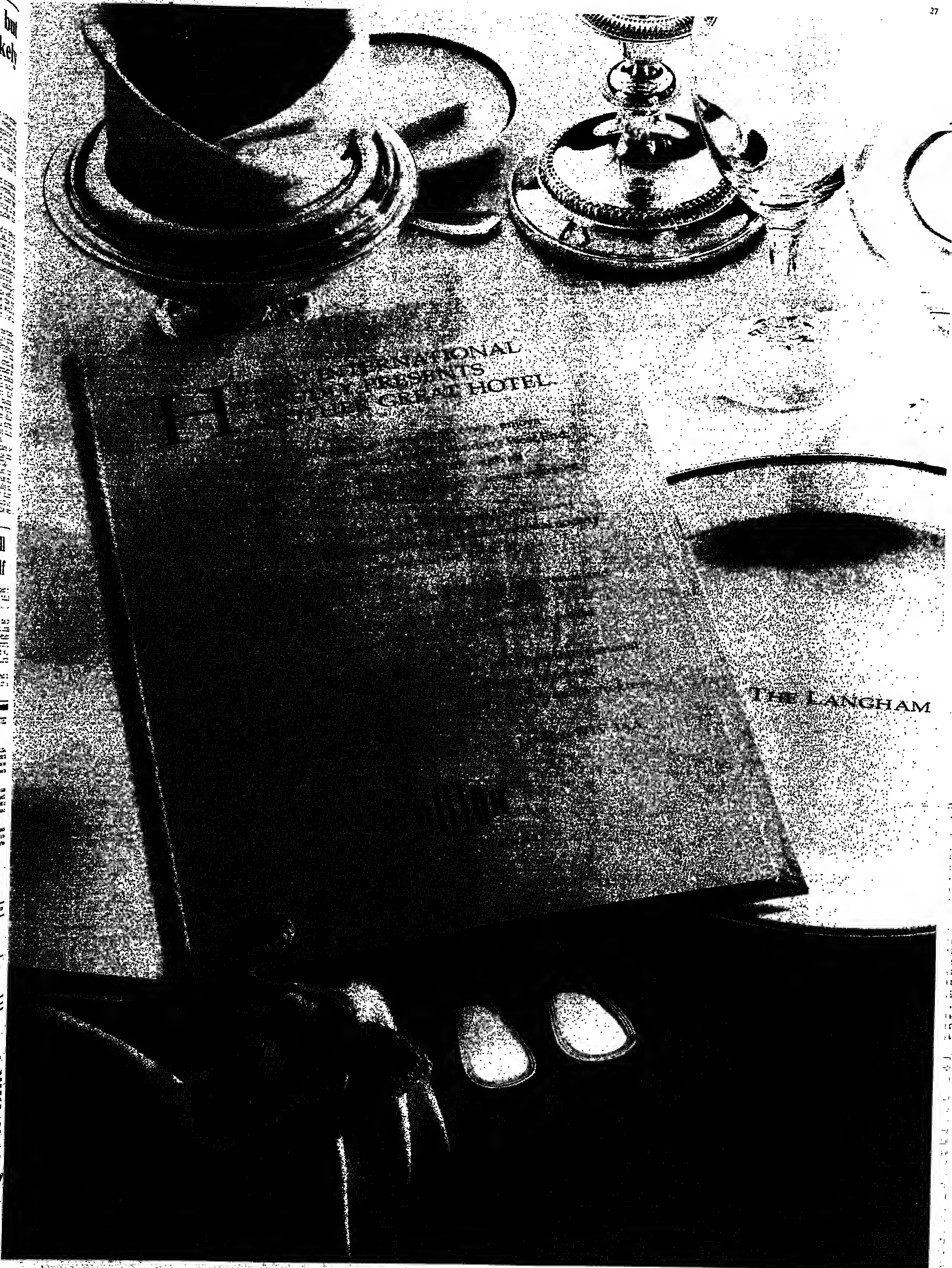
Earnings improved to 13.4p (8.8p) and the board has recommended raising the final dividend to 4.5p (3.7p) for a 6.5p (5.55p) total.

ASIT raises stake in Lancs & London

Anglo Scandinavian Investment Trust (ASIT) has increased its stake in Lancashire & London Investment Trust to 38.9 per cent as the bid battle for the small company fund intensifies, writes Philip Coggan.

Some of the purchases must have been from shareholders who had already accepted the £8.2m ASIT offer, although ASIT's advisers would not say how many.

The last time that ASIT revealed acceptances, the figure was 11.87 per cent; had the acceptances figure remained constant, ASIT would have been able to claim victory last Friday with over 50 per cent of Lancs & London. It did not do so.


THE LANGHAM

COMMODITIES AND AGRICULTURE

Uranium deal puts off mine closure to 1996

By Bernard Simon in Toronto

BARRING a sharp recovery in uranium prices, the last of northern Ontario's uranium mines is scheduled to close in 1996 according to a revised contract between Rio Algom, RTZ's Canadian subsidiary, and Ontario Hydro, North America's second biggest power utility which relies on nuclear power for 62 per cent of its generating capacity.

The contract, which was originally due to run until 2020, could have been cancelled as early as 1993. Ontario Hydro has agreed to postpone termination in exchange for lower prices in the remaining years of the contract.

The new contract price has not been disclosed, but is understood to be about C$35 per pound, still more than double current market prices. The contract stipulates that prices must at least cover the supplier's costs.

The provincial government asked Ontario Hydro to continue deliveries from Rio Algom for as long as possible to soften the blow to the local community of Elliot Lake.

Rio Algom and Denison Mines are scheduled to close all their other Elliot Lake uranium mines by the end of next year. The mines are low-grade, underground operations which have been unable to compete with lower-cost suppliers in Saskatchewan and Australia.

By the terms of the agreement between Rio Algom and Ontario Hydro, output from the Stanleigh mine will increase to 1.8m lbs a year from 1.2m lbs, thereby bringing down unit costs. Ontario Hydro is the mine's only customer. Rio Algom is increasingly concentrating on low-cost operations in other parts of North America. Earlier this month, it offered US$41m to acquire Uranium Resources which has interests in Texas and Wyoming.

Uranium Resources is a pioneer of the so-called in-situ leach extraction process, which Rio Algom has been testing at its own exploration properties in Wyoming. Rio Algom, which is 51 per cent owned by RTZ, has also put its extensive metals distribution business in North America and Australasia on the block. Besides those with Rio Algom and Denison, Ontario Hydro has two contracts with Saskatchewan suppliers, which expire in 1993. An official for the utility said that "we will be looking to put in place a diversified portfolio" of new contracts by 1993-94.

Peru's mines working in spite of strike plea

By Sally Bowen in Lima

PERUVIAN miners appear to have massively rejected an indefinite strike call by Peru's National Federation of Miners and Metalworkers (FETIMMP). The National Mining Society (SNM) reported that most mines were working normally yesterday.

US-owned Southern Peru Copper Corporation, Peru's major copper producer, reported business as usual. Only two small production units at state-owned Centromin – San Cristobal and Casapalca – continued to be partially paralysed from last week's stoppage.

Samuel Zegarra, general secretary of FETIMMP, had called on all 80,000 workers affiliated to the Federation to stop work from midnight on Sunday. In an all-out attack on the policies of the Fujimori government, the Federation is demanding the repeal of certain recently-promulgated decrees which undermine Peru's labour stability laws. It is also returning to a favourite theme – the demand for a single negotiating platform for the entire mining industry.

Mr Zegarra denounced on Saturday the killing of mining union leader Juan Deza Meza a week ago. He had been assassinated shortly after taking part in the stoppage at Casapalca.

"But miners are not just victims of repression," said Mr Zegarra. "Five thousand mining workers have already lost their jobs – for this reason we are opposing privatisation."

An SNM spokesman accused the FETIMMP of acting on purely political grounds: the strike call included demands for the rejection of the recently-signed bilateral anti-drug accord with the United States and the non-payment of Peru's foreign debt.

"But in the current economic situation, themes like this don't carry much weight," said the SNM spokesman. "Mining workers realise that a strike now could finish off some mines entirely."

The Labour Ministry has declared the strike action illegal.

Platinum price fall perplexes analysts

By Kenneth Gooding, Mining Correspondent

PLATINUM'S PRICE is likely to languish near current levels for two months or so, even though there is no fundamental reason for it to be so low, analysts suggested yesterday.

The precious metal recovered slightly yesterday after dropping to five-year lows in New York on Friday where its price was briefly at a discount to gold's for the first time since November 5, 1985.

"It's a bit grim, to say the least," was the reaction of Mr Neil Carson, general manager, marketing, for Johnson Matthey, the world's biggest platinum marketing group.

Platinum's price fell by $8 a troy ounce in London on Friday and lost $15 last week to close at $368 an ounce. Yesterday the price ended at $370 while gold closed in London at $367.60, up 65 cents an ounce.

Mr Carson insisted "there was no solid explanation" for platinum's collapse.

Mr Carson suggested that platinum might have weakened because European ministers failed to approve regulations which would have further tightened car emission regulations. "But there will be plenty of opportunities for them to do so before the due date, 1996."

In any event, he said, before then the platinum market will have to supply an extra 300,000 ounces a year to European car makers if they are to meet existing regulations.

Prices had also been affected by rumours of extra sales from the Soviet Union. Johnson Matthey had been assured Soviet platinum sales so far in 1991 had been less than last year's. The Soviets had made some large deliveries to the west, almost certainly for leasing, said Mr Carson.

Platinum plummeted on May 30 by nearly $30 to $360 an ounce in Tokyo after Nissan, Japan's second-largest automotive group, said that it had developed a palladium car catalyst which was cheaper to produce than those using platinum and rhodium. Nissan later sought to play down the importance of this revelation and the platinum price recovered slightly. Mr Andy Smith, analyst with the Union Bank of Switzerland, pointed out last night that platinum's price had been weakening since Ford made a similar announcement – about developing a palladium catalyst – in December, 1988.

Driven by increasingly tight environmental controls on cars, car catalysts provide the biggest market for platinum.

Cocoa tree's golden fruit loses its lustre

Victoria Griffith outlines the natural and commercial factors behind the stripping of Brazil's plantations

THE RASPING of electric saws intermittently pierces the quiet of Bahia's cocoa plantations these days.

The sound is accentuated at intervals by the crack of a tree hitting the ground. At the side of a road running through one of the farms, wood has been stacked up for transport to the nearest city.

With cocoa prices falling to their lowest level in years, some of Brazil's cocoa farmers have decided that the plant's wood is worth more than the fruit it produces.

They are clearing out the plantations - cutting down both the cocoa plants and the tall shady trees which protect them.

Visiting the cocoa region of Bahia today, it's hard to believe that the country's best-selling novelist Jorge Amado once described the plant as a "tree that bears a golden-coloured fruit worth more than gold itself."

With today's farmers unable or unwilling to invest in the product, Bahia's cocoa orchards have fallen into a sorry state of neglect.

Black pod, an old fungal enemy of the cocoa plant, is running rampant as plantation owners say they can no longer afford protective pesticide.

"Witch's broom" fungus has entered the area from the Amazon and threatens to wipe out thousands of trees.

Moss covers the trees' trunks and branches, reducing their productivity.

A reduction in the cobra population has produced rat infestations on many plantations, where the rodents prey on the fruits. Farmers say putting out rat poison is too expensive.

With prices so low, plantation owners have reduced the number of workers employed to care for the cocoa. Some 250,000 cocoa workers are out of work in Bahia.

"Bahian cocoa farmers had it too good for too long," complained a manager at one of the cocoa processing plants in the region. "In the past, cocoa prices were so high that even a poorly managed farm produced so much money that no one cared. Now, that will have to change."

"Cocoa farmers' lack of concern for their plantations means the sector is far more disorganised than other agricultural sectors in Brazil," said Paulo Adami de Sa, assistant to the director of the cocoa company Itaisa. "And that lack of organisation has left us completely incapable of coping with a disease like witch's broom."

Most of the plantations' current owners are more heirs than farmers. Living in distant cities, they are hopelessly remote from their plantations.

"My cocoa plantation used to make more money in a year than the president of the US," bragged cocoa farmer Luiz Paulo Esteves Leao, as he waited for his flight back to Rio de Janeiro.

Esteves invested his money in other things - including a large construction group in Rio. Cocoa, he admits, has become little more than a pleasant hobby.

"I live in Rio," said Esteves, "but I come up here every month or so to take a look at the farm."

The cocoa farmers' cavalier attitude has severely affected the area's productivity. According to Luiz Barretto Teixeira, director of the Copercacau cooperative and a cocoa farmer himself, Bahia has a production capacity of 700,000 tonnes of cocoa a year. Last year, however, Brazil's total harvest yielded only 340,000 tonnes.

Ashley Ashwood

Ripe for change: a cocoa plantation near Ilheus Bahia

Besides low productivity, Bahian cocoa suffers from poor quality.

"Many farmers ferment just two or three days instead of the five or six days necessary for top-grade cocoa beans," said Ronaldo Monteiro de Carvalho, president of the the Cocoa Growers' Union and vice-president of the National Council of Cocoa Producers.

With the arrival of witch's broom in the area, the problem of absentee cocoa farmers has become more pronounced.

"I tried to create an investment pool with my neighbours to control the spread of the fungus," complained one farmer. "One just wasn't interested. The other doesn't live here and I don't even know how to get in touch with him."

Bahian cocoa farmers are counting on higher prices to bail them out. Mr Monteiro is lobbying for an agreement at the International Cocoa Organisation's meeting this week.

Others believe an accord is unlikely. "I doubt there will be an international cocoa agreement this year," said Mr Barretto Teixeira. "Because, for any accord to be effective, the consuming countries will have to give their seal of approval."

With international price support uncertain, Bahian farmers are being forced to find other ways of coping. "I think we should go for vertical integration," suggested Barretto Teixeira.

"For instance, a group of cocoa farmers could open a processing plant, and thereby guarantee local demand."

Some farmers are concentrating on marketing the cocoa plant's fruit, rather than the beans. "We've had some success selling cocoa juice in the German market," said Adami de Sa. "The problem is, it's difficult to preserve."

A few plantation owners are opting for other agricultural products. "We've seen farmers here diversifying into everything from oranges to macadamia nuts," said Mr Paulo Fernando Nunes da Cruz of the government research agency Ceplac.

Others are sceptical. Sixth generation cocoa farmer Luis Henrique Goes da Costa Varges summed up the thoughts of many farmers in the area: "The wet, hilly cocoa region just isn't suitable for anything but cocoa. I'm going to stick with it until the prices go up."

Price recovery for coffee seen as unlikely

By David Blackwell

THE PROSPECTS for a price recovery in the world coffee markets are not encouraging, given the continuing high level of green coffee stocks in consuming countries, according to E.D. & F. Man, the London trade group.

Since October 1 last year – the beginning of the coffee year – consumer stocks have fallen by less than 1m bags, Man points out in its latest report on the coffee market.

Overall stocks, at 17.7m bags (60 kg each) at the end of April, are less than 2m bags below the record level of 19.4m bags attained in July last year.

Exports from International Coffee Organisation member countries were down to 6.2m bags in April; 1.5m lower than in the previous comparable month. In the coffee year so far, exports are down by more than 7m bags.

However, exports remain roughly in line with international demand and "at this time of year we need to see monthly shipments falling to closer to 5m bags if consumers' stocks are to be depleted," the report says.

Meanwhile, selling pressure from Brazil has eased considerably, Man points out, and while prices may move a little lower in the immediate future, "the downside risk is quite limited."

● African coffee producers began a three-day meeting with Latin American and Asian exporters yesterday with a call for a conference to negotiate the return of export quotas to lift prices, Reuter reports from Nairobi.

Dutch cabinet acts to curb pesticide use

By Ronald van de Krol in Amsterdam

DUTCH farmers will be forced to make a 35 per cent cut in their use of pesticides by 1995, with a further decline by a total of 50 per cent by the year 2000, under a controversial plan approved by the Dutch cabinet and sent to parliament for debate.

The proposed curbs would require the establishment of a system of pesticide permits. Dutch farmers are the heaviest per-hectare users of pesticides in the world.

The proposals have been attacked by farmers' groups, who argue that they will suffer declines in crop yields if they are forced to give up some of their chemical weapons against pests. They add that the curbs are far stricter than those in force elsewhere.

Maize producers call for US import control

By George Graham in Paris

EUROPEAN maize producers have called for tougher controls on imports of US animal feed derived from maize following the discovery in the Netherlands of what could prove to be a major fraud.

The European Confederation of Maize Producers, based at Pau in southern France, demanded that the European Commission should tighten up the definitions of different categories of animal feed and that the other countries of the EC follow the example of the Dutch customs by checking up on imports from the US.

The affair hinges on US shipments of corn gluten feed, a by-product from the processing of maize to produce cornstarch. Last year, the US shipped to the EC some 5.4m tonnes of these products, which in its pure state is imported without tax.

The European federation says inspections by the Dutch customs of shipments of corn gluten feed arriving at Rotterdam showed that they contained up to 40 per cent of other by-products, mostly maize cake but also broken maize kernels. They should therefore, the federation argues, be treated as "mixtures" which are liable to a penalty of 400 florins a tonne, substantially more than their actual value of about 270 florins a tonne.

The European federation complains that while imports of maize cake from the US have diminished in the face of tougher controls, imports of corn gluten feed have simultaneously increased.

WORLD COMMODITIES PRICES

MARKET REPORT

Aluminium prices ended the LME kerb trading sharply up and at the highest level for eight weeks on the back of speculative buying. The rally stalled when three-month metal approached the resistance level of $1,400 a tonne, dealers said. The gains were triggered by unsubstantiated rumours that fund buying was expected in the rings. "There was no firm basis to the rumours it was just a case of collective paranoia," one dealer said. Chartists said that the close above $1,380 now signalled an overhead target in the $1,420 to $1,450 area, although the fundamental outlook for aluminium still remains very weak. Today's LME stock figures are expected to show a further small increase to a new record high. The strong aluminium market helped copper to bounce off support at around $2,180 a tonne for three-month metal, as did expectations of a slight decrease in LME warehouse stocks. But rallies above $2,200 were expected to attract continued selling. London cocoa futures had largely clawed back earlier losses by the close, supported by a strong bounce in New York and the strength of the dollar versus the pound. Dealers said trade selling had initially put the market under pressure with near September sliding to a low of £631 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.25-5.35z	+0.20
Brent Blend (dated)	$17.80-7.60	+.125
Brent Blend (Aug)	$18.25-8.30	+0.10
W.T.I. (1 pm est)	$20.00-0.10z	+.225

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$250-252	+2
Gas Oil	$175-176	
Heavy Fuel Oil	$66-67	
Naphtha	$167-190	+2
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$367.60	+0.65
Silver (per troy oz)♣	445.5c	+4
Platinum (per troy oz)	$370.0	+2.0
Palladium (per troy oz)	$96.0	+0.25
Aluminium (free market)	$1340	+65
Copper (US Producer)	104c	+1.1
Lead (US Producer)	33c	-2
Nickel (free market)	392c	+10
Tin (Kuala Lumpur market)	15.75r	+0.20
Tin (New York)	269c	-1
Zinc (US Prime Western)	62c	
Cattle (live weight)†	111.24p	-2.35*
Sheep (dead weight)†	129.99p	-22.1*
Pigs (live weight)†	85.83p	-3.22*
London daily sugar (raw)	$234.0x	-2.0
London daily sugar (white)	$306.0x	-5.0
Tate and Lyle export price	£253.5	-0.5
Barley (English feed)	£109.5z	-0.5
Maize (US No. 3 yellow)	£183	
Wheat (US Dark Northern)	£100	
Rubber (Jul)♥	58.50p	+0.50
Rubber (Aug)♥	57.00p	+0.50
Rubber (KL RSS No 1 Jul)	233.0m	-1.0
Coconut oil (Philippines)§	$360.0y	+7.6
Palm Oil (Malaysian)§	$305t	
Copra (Philippines)§	$230x	
Soyabeans (US)	£168.5	-1.0
Cotton "A" index	83.60c	
Wooltops (64s Super)	394p	+2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jun/Jul t-Jul/Sep u-Jul x-Jul/Aug y-Aug/Sep z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR - London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	214.40	200.40	213.00	199.00
Oct	196.40	184.40	197.00	184.00
Dec	203.00	200.00	188.00	
Mar	193.00	164.00	183.00	
May	200.40	186.50	189.00	
Oct	204.40	192.40	190.00	

White	Close	Previous	High/Low	
Aug	311.0	300.0	311.0	298.3
Oct	272.5	263.0	271.0	261.0
Mar	265.0	256.5	264.0	256.0
May	266.0	259.0	260.8	260.6

Turnover: Raw 1213 (1462) lots of 50 tonnes. White 1231 (1130)
Paris- White (FFr per tonne): Aug 1891, Oct 1856.

CRUDE OIL - IPE $/barrel

	Latest	Previous	High/Low	
Aug	18.27	18.14	10.35	18.10
Sep	18.55	10.46	18.64	18.40
Oct	18.76	18.68	18.90	18.60
Nov	19.00	18.88	19.00	18.75
Dec	18.97	18.00	18.05	18.07
IPE Index	18.21	18.02	10.21	

Turnover 6071 (11900)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low	
Jul	170.50	170.75	171.50	169.75
Aug	171.00	171.25	172.25	170.75
Sep	173.50	173.25	174.25	172.75
Oct	176.50	176.00	176.75	175.00
Nov	176.75	176.50	179.00	177.00
Dec	179.70	179.50	180.00	179.00
Jan	176.50		177.00	176.50
Mar	170.00		170.00	

Turnover 3871 (5598) lots of 100 tonnes

TEA

There was more general demand, reports the Tea Brokers' Association. The brightest liquoring teas and better mediums met strong competition and were often 5-10p dearer. Lesser mediums and plainer sorts proved irregular but mostly easier. Ceylons sold readily at fully firm to dearer rates. Offshore teas attracted fair support with the best Kenyas fully firm but other descriptions tending easier. The highest price realised this week was 196p/kg for a Rwanda. Quotations: quality 170p/kg (165p), medium 105p/kg (108p), low medium 72p/kg (74p).

COCOA - London FOX £/tonne

	Close	Previous	High/Low	
Jul	602	604	605	597
Sep	638	639	640	631
Dec	678	679	680	672
Mar	713	713	714	707
May	734	734	735	730
Jul	755	754	755	752
Sep	775	774	778	770

Turnover: 3167 (3998) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 17 762.10 (761.00) 10 day average for Jun 14 789.22 (793.35)

COFFEE - London FOX £/tonne

	Close	Previous	High/Low	
Jul	539	537	542	535
Sep	586	564	570	562
Nov	589	589	593	586
Jan	609	610	613	607
Mar	627	629	630	625

Turnover:2779 (3797) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 14 : Comp. daily 64.89 (65.23). 15 day average 65.90 (65.94)

POTATOES - London FOX £/tonne

	Close	Previous	High/Low	
Mar	115.5	121.0	118.0	115.5
Apr	113.5	119.0	117.0	112.5
May	130.0	134.0	127.0	

Turnover 323 (86) lots of 40 tonnes.

SOYAMEAL - London FOX £/tonne

	Close	Previous	High/Low
Dec	141.50	141.50	141.50

Turnover 25 (35) lots of 20 tonnes.

FREIGHT - London FOX $10/index point

	Close	Previous	High/Low	
Jun	1725	1730	1725	
Jul	1010	1600	1612	1585
Oct	1680	1660	1589	1660
Jan	1682	1674	1690	
Jul	1350		1350	
BFI	1706	1704	1706	

Turnover 247 (226)

GRAINS - London FOX £/tonne

Wheat	Close	Previous	High/Low	
Jun	131.50	133.25	133.00	131.50
Nov	116.15	116.30	118.15	116.00
May	126.15	126.25	126.00	

Barley	Close	Previous	High/Low
Sep	111.10	111.15	

Turnover: Wheat 73 (128), Barley 0 (106).
Turnover lots of 100 tonnes.

PIGS - London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	109.0	112.0	108.0
Sep	106.0		106.0
Feb	110.5		109.0

Turnover:5 (19) lots of 3,250 kg

MGMI - London FOX

	Close	Prev.	High	Low	Vol
Indx	139.95	138.80			
Jun	140.80	139.00	140.80		50
Jul	142.50	138.70	142.50	141.20	155
Sep	142.00		143.50	141.90	150
Dec	144.10		144.10	142.70	55

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 49,403 lots
Cash	1363-4	1291-2	1338	1337-8		
3 months	1385-6	1323-4	1398/1362	1369-70	1384-5	97,582 lots
Copper, Grade A (£ per tonne)						Total daily turnover 32,060 lots
Cash	1354-5	1341-3	1354/1340	1339-40		
3 months	1369-70	1353-4	1370/1358	1358-9	1368-9	135,373 lots
Lead (£ per tonne)						Total daily turnover 4,006 lots
Cash	330-1	334-6	330/328	327-8		
3 months	341-2	343-4	347/338	338-9	341-2	10,634 lots
Nickel ($ per tonne)						Total daily turnover 4,198 lots
Cash	8460-70	8250-70	8450/8420	8420-30		
3 months	8470-80	8287-90	8475/8330	8440-50	8465-70	14,001 lots
Tin ($ per tonne)						Total daily turnover 1,732 lots
Cash	5775-85	5735-45		5770-5		
3 months	5860-70	5820-30	5870/5855	5860-70	5850-60	7,850 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 19,108 lots
Cash	1061-2	1074-6	1066/1062	1062-3		
3 months	1080-1	1091-2	1099/1080	1083-5	1078-80	28,713 lots

LME Closing £/$ rate:
SPOT: 1.6410 3 months: 1.6210 6 months: 1.6070 9 months: 1.5980

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	367.40-367.80	
Opening	367.25-367.65	
Morning fix	367.30	226.058
Afternoon fix	368.80	226.252
Day's high	367.60-367.90	
Day's low	366.70-367.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.51	6 months	5.41
2 months	5.46	12 months	5.36
3 months	5.44		

Silver fix	p/fine oz	US cts equiv
Spot	270.05	436.85
3 months	277.50	445.35
6 months	284.75	452.55
12 months	298.80	466.30

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	367.00-368.00	226.50-227.00
Maple leaf	375.00-376.00	231.25-231.75
New Sovereign	87.00-88.00	53.50-54.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1300	76	112	4	17
1400	16	51	49	55
1500	1	18	125	120

Copper (Grade A)	Calls		Puts	
2100	112	126	4	34
2200	38	71	29	75
2300	7	34	97	137

Coffee	Jul	Sep	Jul	Sep
500	38	67	0	2
550	1	29	12	14
600	0	10	61	45

Cocoa	Jul	Sep	Jul	Sep
550	51		0	
600	6	48	3	10
650	0	20	49	32

Brent Crude	Aug	Sep	Aug	Sep
1850	31			
1900		28		
1950				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	368.2	367.1	368.4	367.3
Jul	368.2	366.2	0	0
Aug	370.8	369.8	371.1	369.5
Oct	374.0	373.0	374.3	372.9
Dec	377.8	376.8	377.9	376.5
Feb	381.0	380.0	0	0
Apr	384.4	383.4	384.5	383.2
Jun	387.9	386.9	0	0
Aug	391.5	390.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jun	369.7	368.9	0	0
Jul	369.9	369.1	371.3	369.5
Oct	374.5	373.7	376.0	374.3
Jan	378.0	375.0	380.0	378.5
Apr	382.5	382.0	384.0	382.5
Jul	386.6	386.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	443.6	441.8	440.0	440.0
Jul	444.5	442.7	445.0	439.0
Aug	447.3	445.6	0	0
Sep	450.0	448.2	451.0	445.0
Dec	457.9	456.1	459.0	453.0
Jan	460.3	458.5	0	0
Mar	466.5	464.7	464.0	462.0
May	472.4	470.6	471.0	469.8
Jul	478.3	476.5	0	0
Sep	484.9	483.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	98.40	98.70	99.00	98.30
Jul	98.75	98.95	98.40	98.00
Aug	97.85	97.85	97.00	97.30
Sep	97.45	97.50	98.10	96.80
Oct	97.05	97.05	0	0
Nov	96.65	96.65	0	0
Dec	96.25	96.20	96.70	95.80
Jan	95.95	95.85	0	0
Feb	95.50	95.40	0	0
Mar	95.15	95.00	95.50	95.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	10.98	19.67	20.10	19.70
Aug	20.02	19.80	20.14	19.81
Nov	20.50	20.41	20.55	20.41
Jan	20.48	20.38	20.48	20.46
Feb	20.35	20.31	20.42	20.32
Mar	20.30	20.25	20.30	20.30
Apr	20.30	20.29	20.30	20.16

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5630	5595	5640	5600
Oct	5750	5717	5760	5720
Nov	5860	5829	5865	5840
Dec	5950	5910	5960	5930
Jan	5975	5949	5985	5950
Feb	5890	5844	5890	5850
Mar	5650	5619	5670	5620
Apr	5455	5424	5460	5455

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	928	914	942	900
Sep	979	966	994	960
Dec	1027	1017	1040	1007
Mar	1072	1064	1083	1054
May	1100	1094	1110	1080
Jul	1130	1130	1142	1110
Sep	1161	1158	1148	1143
Dec	1204	1201	0	0
Mar	1244	1241	0	0
May	1271	1268	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	84.30	84.30	84.50	84.00
Sep	86.50	86.60	86.70	50.20
Dec	89.95	89.90	89.95	89.50
Mar	93.00	93.10	93.00	92.60
May	95.30	95.15	95.30	94.85
Jul	97.40	97.00	97.00	96.50
Sep	99.00	98.90	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.58	9.24	9.62	9.20
Oct	8.73	8.29	8.77	8.35
Mar	8.60	8.25	8.60	8.30
May	8.65	8.28	8.65	8.40
Jul	0.72	8.41	8.67	8.62
Oct	8.85	8.61	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	84.57	84.35	85.03	84.00
Oct	79.90	78.92	50.10	78.00
Dec	75.44	74.60	75.50	74.35
Mar	76.20	75.40	76.20	75.25
May	76.20	75.65	76.30	76.00
Jul	76.20	75.80	76.50	76.20
Oct	68.50	68.75	68.00	68.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	117.15	116.10	117.70	116.00
Sep	119.30	117.00	119.70	118.60
Nov	118.50	117.50	119.00	118.40
Jan	118.10	117.05	118.50	117.90
Mar	118.10	117.05	118.40	118.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Jun 15	Jun 14	mnth ago	yr ago
1759.9	1760.7	1728.1	1845.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun 14	Jun 13	mnth ago	yr ago
Spot	130.84	130.80	-	129.48
Futures	126.38	126.98	-	130.56

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	562/4	567/4	567/6	560/4
Aug	565/2	570/4	571/0	563/6
Sep	566/4	571/6	572/4	564/0
Nov	573/2	578/0	578/4	570/0
Jan	583/4	589/0	589/0	580/4
Mar	593/6	599/4	599/6	591/4
May	602/4	610/0	606/0	601/0
Jul	609/0	614/4	614/0	607/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	10.24	19.33	19.44	19.17
Aug	19.43	10.49	19.63	19.34
Sep	19.62	19.67	19.80	10.54
Oct	18.50	19.86	10.98	19.72
Dec	20.21	20.25	20.36	20.06
Jan	20.37	20.42	20.55	20.28
Mar	20.71	20.75	20.90	20.59
May	21.01	21.06	21.10	20.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	171.1	173.3	173.3	170.0
Aug	171.0	174.1	174.3	171.2
Sep	171.8	174.4	174.7	171.3
Oct	172.0	175.1	175.2	171.8
Dec	174.0	177.2	177.7	173.3
Jan	175.1	176.2	178.5	174.7
Mar	177.0	1180.0	181.0	177.0
May	179.0	180.5	182.5	170.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	238/2	241/6	241/2	237/2
Sep	237/0	241/2	241/6	238/2
Dec	237/6	242/0	243/0	237/0
Mar	245/4	250/0	250/4	249/0
May	250/4	255/4	254/0	250/2
Jul	255/4	260/2	260/2	255/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	289/4	293/0	293/0	287/4
Sep	294/6	298.0	298/0	293/0
Dec	305/4	310/2	310/0	304/0
Mar	311/6	315/0	315/0	310/6
May	305/0	308/2	309/0	305/0
Jul	299/0	300/0	301/4	298/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	74.75	74.82	74.00	74.50
Aug	73.10	73.47	73.40	72.90
Oct	75.10	75.32	75.25	74.92
Dec	76.20	76.22	76.25	75.90
Feb	75.72	75.72	75.75	75.42
Apr	76.10	76.12	76.10	75.95

LIVE HOGS 20,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	56.67	56.47	56.85	55.95
Jul	54.75	54.27	54.80	53.77
Aug	51.25	50.85	51.30	50.40
Oct	46.17	46.20	46.25	45.85
Dec	46.72	46.62	46.80	46.20
Feb	46.25	46.50	46.35	46.10
Apr	44.60	44.85	44.65	44.35

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	53.67	55.62	54.92	53.62
Aug	51.05	53.00	52.20	51.80
Feb	51.85	53.65	53.20	51.65
Mar	51.20	53.20	0	51.20
May	51.20	52.80	0	50.80
Jul	51.20	52.90	0	51.20

LONDON STOCK EXCHANGE

Share prices drift in sluggish trade

WEAKNESS in sterling, poor news on retail sales and gloomy predictions ahead of today's announcement of the Public Sector Borrowing Requirement for May, all made for a drab showing in UK equities yesterday as the new trading account opened. Wall Street, edging above Dow 3,000 early in the session, provided what little encouragement there was and London struggled to hold its ground in very poor trade.

Equities made a mild response to yesterday's sterling exchange rate index, which was itself influenced by a strong dollar and a weakening Spanish currency. Hopes for a further cut in UK base rates in the very near term, which would be influenced by sterling's performance, were damped down on Friday by the

Account Dealing Dates		
*First Dealings:		
June 3	Jun 17	Jul 1
Option Declarations:		
Jun 13	Jun 27	Jul 11
Last Dealings:		
Jun 14	Jun 28	Jul 12
Account Day:		
Jun 24	Jul 8	Jul 22

*New-time dealings may take place from 9.00 am two business days earlier.

Bank of England's actions in the London money markets; however, the stock market still expects rates to be reduced again before the end of the month, or possibly next month.

Wall Street's gain on Friday of 35 Dow points and its firm opening yesterday drew London's attention back to the prospects for a lifting in the global economic recession. While the signals from the UK economy remained bleak yesterday, with retail sales showing a further fall last month, New York's performance hinted at signs of optimism on the US economy.

However, investors in the London equity market showed little sign of confidence yesterday ahead of this week's data on the domestic economy. In spite of Wall Street's firmness UK stocks opened a shade easier and spent the session moving narrowly.

With little of interest on the corporate scene, share prices were content to mark time. Trading volume was slow to develop and at the close the Seaq-reported total had reached a mere 285.9m shares, well below Friday's 435.7m and pitifully below the levels required for profitable trading.

The final reading showed the FT-SE Index at 2,524.0, with the net gain of 1.7 reflecting little more than minor gains in a handful of leading stocks. ICI stood out firmly, although the chorus of doubt regarding prospects of an all-out bid from Hanson grew louder at the weekend as the board of the chemical group strengthened employee redundancy protection.

BAT Industries was an early beneficiary of Wall Street's strength, and pharmaceuticals extended their recent firmness, included Glaxo and Fisons.

Equity market strategists stressed the significance of political factors in a London stock market poised yesterday for reports of an important speech in Chicago last night by Mrs Thatcher, whose views on Britain's policies towards Europe have seemed to differ from those of Mr John Major, the UK prime minister.

Differing opinions are also held in the equity market on the timing of the next general election in the UK, with Nikko Securities siding with the majority in believing that the election will be delayed until June next year.

On the domestic economy, the market still awaits further evidence that inflation has been fully conquered. Today brings the latest statistics on manufacturing output and on unit wage costs, which could provide an impetus to other factors for a cut in base rates. However, the stock market is now keenly watching the foreign exchange centres, aware that sterling's position within the Exchange Rate Mechanism is likely to be the main determinant of the timing of the next reduction in domestic rates.

Forecasts cut for Ladbroke

PROFITS forecasts for Ladbroke were reduced after Mr Cyril Stein, the company's chairman, confirmed the damaging effect of the Gulf war on the company's Hilton International hotel operation. "The first half of the year has been disappointing, with the first quarter dramatically affected by the war," he said at the company's annual meeting.

In response, at least one of London's top three securities houses turned more cautious on the stock, although other analysts said little that was new had been revealed at the annual meeting. The shares shed 5 to 263p as a brisk 1.7m changed hands.

Glaxo resilient

Glaxo shrugged off a bearish report in a US business magazine - a lead international stocks higher as sterling again fell against the dollar. The article summarised legal and new product challenges to Glaxo's big selling drug Zantac; the shares were 12 lower in early trading.

Traders and analysts argued, however, that little new information was printed in the magazine. Buyers seemed to agree and piled into the stock late in the session. Glaxo climbed to its second new high in succession, 1296p, up 18 on the day as a hefty 4m changed hands.

Buying of dollar earners also left Wellcome up 6 at 849p, SmithKline Beecham 7 higher at 788p and ICI 23 to the good at 1270. Fisons broke through the £5 barrier for the first time to close 12 firmer at 506p, while BAT Industries added 12 at 726p, once again helped by Friday's recommendation from Smith New Court and the prospect of an analysts' visit today.

Insurance issues were among the best performers of the day in the FT-SE 100 index, encouraged by the recent gentle risa in insurance premiums. BZW's weekend note added to the good mood, particularly for Royal Insurance, 9 higher at 444p, and General Accident, which closed 7 to the good at 535p. BZW said thet Royals was highly geared to economic recovery and GenAcc benefited from the strength of the dollar. Turnover was slim.

TSB slipped 3 to 144p as Smith New Court cut its profits forecast on the stock and changed its recommendation from buy to hold. Smith chopped £56m from this year's profits estimate to £194¼m.

The securities house blamed the bank's October year-end, which means any recovery in the wider economy is unlikely to show up until next year's figures; an increased bad debt allowance, particularly in relation to troubled leisure group Brent Walker; and lower earnings from its unit-linked life insurance operation as a result of poor new business figures from the industry as a whole. Smith added that "active and overweight funds should reduce holdings ahead of interim results at the end of the month".

There was little turnover in the big four clearing banks except for Midland. Vague rights issue talk left the shares 5 off at 206p after 3.2m traded.

Hartison Industries, the industrial doors, power transmission and castings group, fell 5 to 63p after announcing a fall in end of year profits from £2.9m to £782,000. Adverse press reports knocked Wimpey down 4 to 180p.

Traders blamed Rosehaugh's slide of 6 to 46p on fears that the company would not be able to make hoped-for disposals before its year-end on June 30. Stanhope, with which Rosehaugh owns London's Broadgate development, dipped 3 to 67p.

Asda saw heavy turnover of 7m as one institution continued to unwind part of its holding in the company with the sale of two large blocks of shares. The stock eased a penny to 104p.

Unigate rose 6½ to 285p ex-dividend. One specialist said that confidence was helped by moves to strip the company back to its core business – branded dairy products – by putting up for sale its poultry and car contract hire arms.

British Aerospace added 4 at 591p on positive sentiment generated by the Paris Air Show and news that Knwait is to buy up to 24 Airbus aircraft, for which BAe builds the wings. Turnover was a low 540,000 shares. County NatWest publishes a positive note on the stock this morning.

Triplex Lloyd retreated as a large line of stock came on to the market. The shares ended 6 lower at 114p.

A bear squeeze pushed TI 5 higher to 521p. Investment house Charterhouse Tilney was reported to hava been a keen shopper for the shares early in the day.

Kwik Fit gave up 4 to 113p as a line of stock of 776,000 shares went through on tbs Seaq ticker at 114p.

Trafalgar House eased 2 to 254p as British Aerospace moved to stamp out speculation that it would launch a bid.

Cramphorn, the garden centre chain, fell sharply after the company warned that the present bout of bad weather was likely to burt profits. The shares initially slumped 39 but picked up to finish 22 down at 73p.

BET weakened 6 to 174p after revealing a 38 per cent fall in profits to £217m.

Tace, the environmental control equipment group whicb was the subject of a bid on Friday hy Cambridge Electronics, advanced 6 to 231p. The shares rose sharply on Friday and were boosted yesterday by speculation thet a counter-bid was in the wind. Cambridge lost 9 to 196p.

Bid rivalry also boosted SD-Scicon, the computing services company facing a hostile bid from Cray Electronics. Tha shares rose 5 to 54p. Electronic Data Services, of the US, made a counter-offer last week but that was rejected by Scicon as too low.

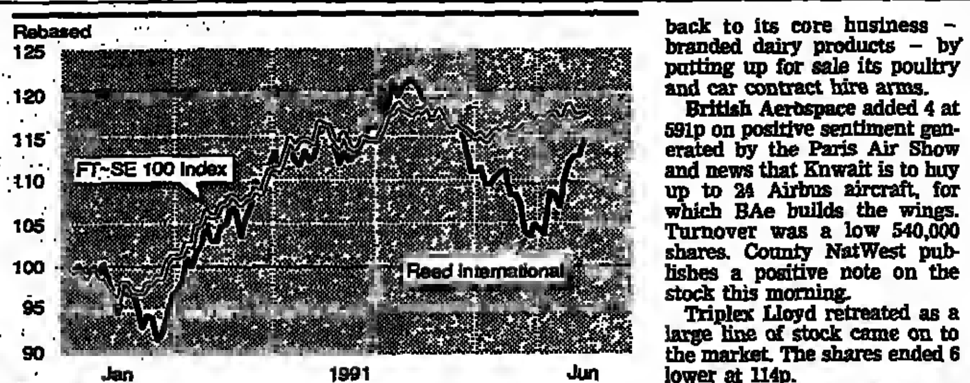
Volex, the electrical controls and communications systems manufacturer, declined 6 to 274p, reflecting a 41 per cent drop in profits.

BAA climbed 8 to 448p after announcing final results. Profits were close to the upper end of expectations, and the company's forecast of stronger traffic growth next year and the analysts' post-results meeting were reassuring.

Johnson Matthey, the precious metals group, continued to rise following the announcement of better than expected annual results last week, adding 9½ at 317p ex-dividend. Mr Robert Sassoon of County NatWest said: "The cost reductions are pretty attractive, rendering the company effectively recession-proof." Charter Consolidated, which has a 38 per cent staka in Johnson and reveals final results today, moved ahead 8 to 475p.

USM-quoted Proteus International gained 9 to 114p as a large increase in end of year losses was offset by a confident statement from the chairman.

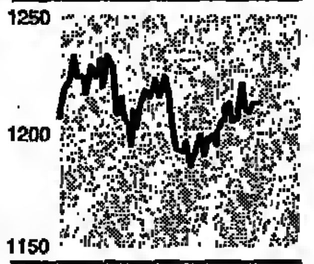
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 24.



Source: Datastream

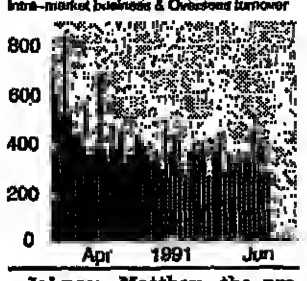
A sharp recovery for publisher Reed International came to an end yesterday as the shares went ex-dividend. They lost 4 to 418p xd. Advertising revenue is a leading economic indicator; it falls as advertisers foresee cutbacks and rises when they plan for recovery. So the stock outperformed in the winter's bull run only to retreat again amid spring pessimism. The last turning point was Reed's results, after which analysts were somewhat reassured over the prospects for recent acquisition TV Times — hurt by new competition — and the company's reduced interest in satellite television.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

... Lowe's; NYNEX; Whirlpool, CANADIANS (18) Abbot Energy, BC Gas, BCE, Bk. of Nova Scotia, Can. Impr. Bk., Derlan Ind., Hudson's Bay, Imperial Oil, Inco, Transcanada Pipelines, BANKS (2) Bancaire (Cie), Espirito Santo Fincl., BREWERS (2) Seagram, Wolv. & Dudley, BUILDINGS (1) Polypipe, CHEMICALS (5) Engelhard, Joyce, Montedison, Plysu, Rentokil, STORES (5) Coles Myer, Fine Art Devlps., Helene, Reject Shop, Specialeyes, ELECTRICALS (7) Black & Decker, Domino Prntg. Sc., Goring Kerr, Nthn. Telecom, SD-Scicon, Siemens, Wholesale Ftgs., ENGINEERING (1) TACE, FOODS (1) Perkins, INDUSTRIALS (21) Airsprung Furn., Ascon. Brit. Ports, CRT, CSR, Daimler-Benz, Fisons, Glaxo, Heemocell, Isotron, Le Creuset, Macarthy, Quotient, RCO, Ramco Oil, Seton Healthcare, Siebe, Swire Pac. A, Tomkins (FH), Do. 5¼pc Prf., Do. 5.5pc Prf., Wellcome, INSURANCE (2) Amer. General, Uslife, LEISURE (1) Radio City A, MOTORS (2) Sanderson Murray Elder, Trimoco Finance 11½pc Cnv. Ln. 1995, PAPERS (1) JMD, TEXTILES (1) Drummond, TOBACCOS (1) BAT Inds., TRANSPORT (3) CSX, GATX, Seacoa, TRUSTS (27) Baillie Gifford Japan, Baring Puma, Beta Global Emrg. Mkts., ...

... Fmg. Inti. High Inc., Do. Zero Div Prf., GT Chile Fd. Units, Gartmore Value Zero Prf., Genesis Emrg. Mkts., Genesis Malaysia Maju, Govett Atlantic, Indonesia Equity, Do. Wrrnts., Jupiter Tarbutt Merlin, Korea Libr., Law Deb., Martin Currie Pac., Mercury Asset Mngmt., TR Technlgy. Zero Prf., Templeton Emrg. Mkts., Do. 1pc Ln., Tribune, OILS (2) Global Nat. Res., Ohio Res., Woodside, MINES (1) MIM.

NEW LOWS (37).

BRITISH FUNDS (2) Cnv. 10pc 1996 B, Treas. 9pc 2008 C, BANKS (2) Gerrard & Natl., Union Discount, BREWERS (1) Macallan-Glenlivet, BUILDINGS (2) Sendell, Westminster Scafldg., CHEMICALS (1) Hovalel, STORES (1) Cramphorn, ELECTRICALS (1) Feedback, ENGINEERING (1) Lee (A), FOODS (3) ASDA, Hughes, RHM, INDUSTRIALS (7) Beckenham, Claybithe, Hornby, Rock, Sale Tilney, Savage, Tamaris 8¼pc Prf., LEISURE (1) Anglia TV, MOTORS (1) Caffyns, PAPERS (1) Colefax & Fowler, PROPERTY (6) Dares Esta., Greycoat, Merivale, New Cavendish, Rosehaugh, Stanhope, TEXTILES (1) Albion, TRUSTS (1) TR Prop., OILS (2) Cairn Energy, Ex. Do. of Louisiana A, PLANTATIONS (1) Anglo-East, MINES (2) Anglesey, Bute.

FINANCIAL TIMES STOCK INDICES

	June 17	June 14	June 13	June 12	June 11	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	83.76	83.83	83.95	83.83	83.93	79.47	85.89 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.87	92.94	92.93	92.94	92.94	86.48	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1977.8	1976.3	1978.8	1973.3	1991.1	1911.9	2014.5 (5/4)	1606.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	197.2	201.8	206.2	207.8	209.1	170.7	209.1 (11/6)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2524.0	2522.3	2514.8	2520.2	2542.8	2370.5	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1178.50	1181.88	1179.47	1181.57	1190.90	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.80	4.82	4.84	4.83	4.79	4.83				
●Earning Yld % (full)	8.48	8.51	8.55	8.53	8.48	10.66				
●P/E Ratio (net) (*)	14.54	14.50	14.42	14.45	14.55	11.37				
SEAQ Bargains 4.45pm	22,536	28,081	26,206	25,724	26,992	24,314				
Equity Turnover (£m)†	-	919.95	989.25	990.82	1272.80	877.52				
Equity Bargains†	-	25,934	24,326	25,324	26,436	22,963				
Shares Traded (mil)†	-	420.9	384.9	414.8	451.3	374.1				

Ordinary Share Index, Hourly changes — Day's High 1977.8 — Day's Low 1972.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1974.9	1973.7	1972.5	1972.5	1974.0	1973.8	1974.4	1975.2	

FT-SE 100, Hourly changes — Day's High 2524.1 — Day's Low 2518.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2521.9	2520.5	2522.8	2521.1	2521.9	2520.8	2520.2	2520.3	2520.3

FT-SE Eurotrack 200, Hourly changes — Day's High 1184.17 — Day's Low 1178.32

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1182.98	1183.84	1182.72	1182.32	1180.79	1180.29	1178.91

GILT EDGED ACTIVITY

Indices*	June 14	June 13
Gilt Edged Bargains	105.2	97.1
5-Day average	87.1	94.6

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

THE derivatives markets saw only light trading yesterday and failed to develop a significant trend of their own, let alone to influence underlying equities. Trading in the leading European futures markets was significantly larger than in London, according to UK trading specialists.

In futures, the June contract on the FT-SE Index, on which the fair value calculation – the estimated premium over cash to allow for dividend flows and carrying costs – is now put at zero. On this basis, the contract traded just above fair value throughout the session, albeit not enough above to warrant arbitraging between cash and futures.

Trade in the September contract, into which traders are now moving rapidly, rose. Dealers reported both buyers and sellers of the September contract, with the two sides finally balancing out. The traders' view is that real interest rates are still high in the UK and that further half-point falls are unlikely to change market perceptions.

The picture was much the same in traded options, where the three most active share contracts, National Power, Glaxo and BAA, recorded turnover levels implying significantly below 1m shares in the underlying equity stocks.

Total business in traded options totalled 17,336 contracts.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100⅞	94⅞	Treas 10pc 2003	96⅞	-⅛	10.40	10.54
108⅞	102	Treas. 11½pc 2001-04	104⅞	-⅛	11.02	10.75
58⅞	53⅞	Funding 3½pc '99-04	56⅞	-⅛	6.22	9.34
97⅞	90⅞	Conversion 9½pc 2004	92⅞	-⅛	10.23	10.48
97⅞	90⅞	Conversion 9½pc 2005	92⅞	-⅛	10.22	10.45
119⅞	111	Treas. 12½pc 2003-05	112⅞	-⅛	11.09	10.60

Over Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
85⅞	79⅞	Treas. 8pc 2002-06‡‡	81⅞	-⅛	9.83	10.42
112½	105⅞	Treas. 11¾pc 2003-07	107⅞xd	-⅛	10.92	10.57
90⅞	84⅞	Treas 8½pc 2007 ‡‡	85⅞	-⅛	9.90	10.29
125⅞	118⅞	Treas. 13½pc '04-08	120⅞	-⅛	11.24	10.57
94⅞	88⅞	Treas. 9pc 2008 ‡‡	90	-⅛	10.00	10.22
94⅞	90	Do. 9pc 2008 C	90	-⅛	9.71	10.22
85⅞	80	Treas 8pc 2009	81⅞	-⅛	9.81	10.22
94⅞	88⅞	Conv 9pc Ln 2011 ‡‡	89⅞	-⅛	10.02	10.20
63⅞	58⅞	Treas. 5½pc 2008-12‡‡	59⅞	-⅛	9.19	10.12
82⅞	76⅞	Treas. 7¾pc 2012-15‡‡	78⅞	-⅛	9.90	10.20
121⅞	113⅞	Exch. 12pc '13-'17	115⅞	-⅛	10.40	10.23

Undated

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
40⅞	37⅞	Consols 4pc	38⅞	-⅛	10.44	-
35⅞	33⅞	War Loan 3½pc‡‡	34⅞	-⅛	10.26	-
59⅞	57⅞	Conv. 3½pc '61 Aft.	57⅞	-⅛	6.09	-
29⅞	28⅞	Treas. 3pc '66 Aft.	28⅞	-⅛	10.46	-
25⅞	23⅞	Consols 2½pc	24⅞xd	-⅛	10.34	-
25⅞	23⅞	Treas. 2½pc	23⅞	-⅛	10.44	-

Index-Linked

1991 High	1991 Low	Stock (b)	Price £	+ or -	(1)	(2)
129⅞	125⅞	Tr. 2pc '92‡‡ (97.8)	129⅞	-⅛	1.29	4.99
118⅞	115⅞	Do. 2 '94 (102.9)	117⅞	-⅛	3.52	4.49
172⅞	168⅞	Do. 2pc '96 (67.9)	171½	-⅛	3.63	4.18
142⅞	137⅞	Do 2½pc '01 (78.3)	141⅞	-⅛	3.96	4.28
138⅞	133	Do. 2½pc '03 (78.8)	136⅞	-⅛	4.05	4.32
140⅞	136	Do. 2pc '06 (69.5)	138⅞xd	-⅛	4.12	4.34
128⅞	124⅞	Do. 2½pc '09 (78.8)	126⅞	-⅛	4.15	4.36
132⅞	128⅞	Do. 2½pc '11 (74.6)	130⅞	-⅛	4.16	4.35

Continued on next page

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
102	95⅞	African Dv Bk 11¼ Ln 2010	98⅞	-⅛	11.33	11.36
97⅞	91⅞	Asian Dev Bk 10¼pc Ln 2009	94⅞	-⅛	10.88	10.99
112⅞	105⅞	Int-Am Dev Bk 12½pc 2003	108⅞	-⅛	11.54	11.19
92⅞	86⅞	Do. 9¾pc Ln 2015	89	-⅛	10.98	11.06
122	101	Utd. Mexican States 16½pc 2008	122	......	13.52	12.11

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
103½	100½	Birmingham 11½pc 2012	100½	......	11.44	11.44
96½	93½	GLC 6¾pc 1990-92	96½	......	6.99	11.20
115½	110½	Leeds 13½pc 2006	114½	......	11.79	11.44
30	28	Liverpool 3½pc Irred	30	......	11.67	-
27	26	LCC 3pc '20 Aft	26	......	11.54	-
103½	97½	Manchester 11½pc 2007	100½	......	11.44	11.47

COMMONWEALTH & AFRICAN LOANS

90	84½	5½ Rhod. 87-92 Assd.	90	......	-	-

LOANS

Building Societies

104½	102½	N'wide Anglia 3¾pc Ln 2021	103½	......	-	5.46
107	104¼	Do. 4.25pcIL '24	105½	......	-	5.06

Public Board and Ind.

53	52	Met. Wtr. 3pc 'B'	52	......	5.77	9.70

FOREIGN BONDS & RAILS

APPOINTMENTS

Promotion at Asda Property

■ At ASDA PROPERTY HOLDINGS Mr Antony Roscoe has become managing director. Mr Roscoe was appointed an executive director of Asda Property Holdings in 1985 and since then he has had particular responsibility for the group's commercial property activities.

■ Mr Diarmuid Quirke, managing director of the CRH Group, has been appointed president of CEMBUREAU, the association of European cement manufacturers, for the next three years.

■ MERCURY ASSET MANAGEMENT, the principal operating subsidiary of Mercury Asset Management Group, has made the following appointments. Miss Carol Galley and Mr David Rosier become deputy chairmen. Mr Ian Barby, Mr Ross Bunce, Mr Nigel Hurst-Brown and Mr Peter Urquhart, become vice chairmen.

Mr Ian Armitage, Mr Norman Bachop, Mr David Beyle, Mr Colin Clark, Mr Keith Mullins and Mr Barry Woolf have been appointed to the board.

■ Mr Tony Nicolle is to join STANDARD CHARTERED as area general manager, Hong Kong and China, towards the end of this year. He was commissioner of banking in Hong Kong.

■ Mr Simon Reisman has been made chairman of RANGER OIL with the powers of chief executive exercised by the board.

■ Mr Michael Lamb *(pictured)* is the new general manager at SCOTTISH LION INSURANCE COMPANY. He was previously general manager at Lombard Continental.

■ Dr Janet Morgan has been appointed a non-executive director of PITNEY BOWES. She is also a director of Cable & Wireless, W.H. Smith Group and Midlands Electricity.

■ Mr Michael Sampson has been elected to the board of ROYAL LIVER ASSURANCE, the Liverpool-based financial services organisation, following the retirement of Mr Peter Ketley. Mr Sampson was UK operations purchasing and supplies manager with PPG Industries.

■ CHARLES TAYLOR & CO, managers of mutual insurance associations, has been reorganised into three divisions. Mr Colin Harris remains chairman until his retirement at the end of 1991 and Mr Bruce Sturgess remains group chief executive and chief executive of the P.& I. division. Mr Lawrence Hart has been appointed chief executive of the North America division responsible for the management and development of all North American interests. Mr John Rowe has been made chief executive of the London management division responsible for the management and development of London-based activities.

A wholly-owned subsidiary, Charles Taylor Investment Management, has been formed with Mr Stuart A. Ingram as investment director.

■ EAGLE TAVERNS, Glasgow, has appointed Mr Freddie Craig as chairman and Mr Frank O'Callaghan a non-executive director. Mr Craig was a director of Christian Salvesen and Mr O'Callaghan was formerly financial director at Stakis.

■ ML HOLDINGS, the aerospace and electronics company, has appointed Mr Timothy W.B. Sallitt as a non-executive director from July 1. He was formerly a director of Hawker Siddeley Group.

■ The hose group comprising Flexible Hose Supplies, R.F.T. Flexhose and Flexmetallic Industries has been restructed under the holding company, FLEXIBLE HOSE SUPPLIES. Leading the team is Mr Peter Hughes, previously sales director of Flexible Hose, and now promoted to group managing director, responsible for all day-to-day operations for the group. Mr George Shaw, founder of the group, takes the position of chairman.

■ Mr Tony Arkinstall *(pictured)* has been promoted to managing director of BIRMINGHAM POWDER COATINGS, part of the Heywood Williams Group. Mr Arkinstall joined as commercial director nine years ago.

■ Mr Peter Hough has been appointed as sales director by NAPIER BROWN AND COMPANY. He was formerly managing director of John Thomas Sugar.

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 45p per minute peak and 34p off peak, inc VAT

AMERICANS

1991 High	Low	Stock	Price	+ or -	Div Gross	C'vr	Y'ld Gr's
38¾	32½	Ameritech $1	35¾	+⅛	$3.16	-	5.2
23¾	12¾	BankAmerica $1⅝	23⅝	+⅝	$1.20	-	3.0
34½	20⅛	Bankers N.Y. $1	32⅝	-⅛	$1.52	-	8.7
29⅝	24½	Bell Atlantic $1	28½	+⅝	$2.36	-	4.9
31¼	25	BellSouth Corp	29⅝	+1	$2.68	-	5.3
10½	6⅛	Bethlehem Steel $8	10½	+⅛	40c	-	2.3
1839p	1046p	Bowater Inc	1839p	+27	$1.20	-	3.9
9½	4½	Brunswick 75c	9⅝	...	44c	-	2.9
53¾	37⅞	CPC Intl. 25c	53⅝	+⅛	$2.00	-	2.2
852p	420p	California Engy	726p	.....	-	-	-
50	28½	Campbell Soup 15c	46	+⅛	$1.16	-	1.5
12⅝	5⅜	Chase Manhattan $12½	12⅛	-⅛	$1.20	-	5.8
8⅞	5½	Chrysler $6¼	9⅛	+⅛	60c	-	4.1
10½	5⅞	Citicorp $1	10	-⅛	$1.00	-	5.9
24½	21⅞	Colgate-Palmolive $1	24½	+⅛	$1.08	-	2.5
845p	438p	Cont'l Bank Corp $4	831p	+2	$1.00	-	7.1
21½	13⅞	Dana Corp. $1	21½	+⅛	$1.60	-	4.4
1056p	203p	Data General	969p	+2	-	-	-
21⅞	12⅞	Dial Crop. $1.5	21⅞	-⅛	$1.40	-	3.8
29½	20½	Dun & Bradstreet $1	29½	+⅛	$2.16	-	4.4
38½	24½	Eaton Corpn. 50c	38½	+1⅛	$2.20	-	-
8¼	5½	Echlin Inc	8	-⅛	70c	-	5.2
18⅝	14⅛	FPL Group 1c	18½	+⅛	$2.40	-	7.7
29⅞	17⅛	Fluor Corp 62½c	28⅞	-⅛	32c	-	0.7
22⅞	13½	Ford Motor $1	22⅞	+1⅛	$1.60	-	2.6
46½	28⅞	Gen. Elect. 63c	46½	+⅝	$2.04	-	2.6
566p	270p	General Host Corp $1	554p	+4	34c	-	3.6
45¼	20⅞	Gillette $1	22½	+⅛	62c	-	1.6
91p	33p	Gt American Bank $1	35p	-3	-	-	-
18¼	794p	Hasbro Inc 50c	18	.....	24c	-	0.8
37½	21¼	Honeywell $1½	37½	+⅛	$1.50	-	2.4
22¼	17⅞	Houston Inds.	22¼	+⅛	$2.96	-	7.9
72⅞	55⅞	IBM Corpn $1¼	61¼	+⅛	$4.84	-	4.6
32	18⅞	Ingersoll-Rand $2	32	+1	$1.32	-	2.4
26¼	16½	Lockheed Crpn. $1	26	+⅛	$1.80	-	4.1
2124p	1245p	Lowe's 50c	2124p	+36	56c	-	1.6
16⅝	9½	Manuf. Hanover $1	13¼	-⅛	$3.28	-	12.3
24½	10⅛	Merrill Lynch $1	23⅝	+⅛	$1.00	-	2.5
33½	21⅞	Morgan (JP) $2½	33½	+⅛	$1.98	-	3.5
40⅞	25⅞	Morris (Philip)	40⅞	+⅛	$1.72	-	2.5
43¼	39	NYNEX $1	43¼	+⅛	$4.56	-	6.2
89p	31p	Pac. Agricultural	37½p	.....	-	-	-
22⅞	11⅞	Pall Corp. 25c	21⅞	+⅛	h44c	-	1.2
44½	33¼	Pennzoil 83 1/3c	43½	+1¼	$3.00	-	4.1
38¼	24⅞	Quaker Oats $5	36¼	+¼	$1.56	-	2.4
37½	24⅞	Rep NY Corpn $5	36½	+½	$1.40	-	2.3
16⅝	12¼	Rockwell Intl. $1	16½	+⅛	86c	-	3.2
24¼	12⅞	Sears, Roebuck 75c	24¼	.....	$2.00	-	4.8
32	25⅝	Southwestern Bell $1	31½	.....	$2.84	-	5.4
20¼	14⅞	Sun Co. Inc. $1	19⅞	-⅛	$1.80	-	5.5
27½	21¼	Tenneco $5	26⅛	+⅛	$3.20	-	6.8
40½	29⅛	Texaco $6.25	38⅞	+⅛	$3.20	-	4.9
26½	17¼	Texas Instr. $1	22	+⅛	72c	-	1.9
71½	41⅞	Time Warner $1	57⅞	-⅛	$1.00	-	1.0
16½	8⅞	TRINOVA Corp	15⅞	+⅛	68c	-	2.5
19⅞	14½	USX $1	19⅞	.....	$1.40	-	4.3
410p	250p	Unilab	410p	.....	-	-	-
28½	22½	Utd. Technologies	28½	+⅛	$1.80	-	3.0
71p	42p	Utilitech Inc	68½p	.....	-	-	-
23	18¼	US West	20½	-1⅛	$2.08	-	6.0
24½	16½	Waste Management $1	27⅛	.....	44c	-	1.1
2016p	1053p	Whirlpool $1	2016p	+35	$1.10	-	3.2
20⅞	13½	Woolworth $3½	19⅞	+⅛	$1.08	-	3.3

CANADIANS

1991 High	Low	Stock	Price	+ or -	Div Gross	C'vr	Y'ld Gr's
10½p	8½p	Abbot Energy Corp.	10½p	+½	-	-	-
1343p	953p	Amer. Barrick Res.	1340p	-3	8c	-	0.3
19½	13	Bk. Montreal	19⅝	-⅛	$2.12	-	5.6
956p	536p	Bk. Nova Scot.	956p	+17	$1.00	-	5.3
815p	639p	BC Gas $1	815p	+7	60c	-	3.8
22⅝	17¼	BCE	22⅝	+⅛	$2.56	-	5.8
10¼	647p	Brascan	10¼	.....	$1.04	-	5.1
36p	19½p	Breakwater Res.	28p	.....	10c	-	18.2
1717p	1180p	Can.Imp Bank	1717p	+19	$1.32	-	3.9
10⅞	855p	Can. Pacific	10½	+⅛	64c	-	3.0
36	30	Do. 4pc Deb £100	34	.....	Q4%	-	13.6
335p	170p	Central Can 'A'	240p	-16	60c	-	12.7

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES — Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

For Trusthouse Forte see Forte

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) — Contd

INDUSTRIALS (Miscel.) — Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

1991 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
314	261	Anglian Water £1	α	[illegible]	−1	17.5	q3.4	6.8	7.7
165	135	East Surrey Water 10p		[illegible]		8.0	2.7	6.5	(6.2)
178	155	Mid Kent Hldgs £1		[illegible]	–	a9.67	●	7.4	●
318	256	North West Water £1	α	[illegible]	+1	18.0	q2.5	6.9	6.6
339	263	Northumbrian Water	α	[illegible]	−1	L16.04	3.7	5.8	5.1
305	231	Severn Trent £1	α	[illegible]	−1	L14.85	3.1	6.1	6.0
300	228½	Southern Water £1	α	[illegible]		L15.03	2.5	6.4	7.0
327	254	Sth West Water £1	α	[illegible]	−4	20.0	q2.7	8.1	5.2
323	253	Thames Water £1	α	[illegible]	−5	17.5	q2.4	6.7	7.2
356	272	Welsh Water £1	α	[illegible]	−4	19.5	q3.4	7.3	4.5
388	255	Wessex Water £1	α	[illegible]	−7	L15.21	2.8	5.9	7.1
330	264	Yorkshire Water £1	α	[illegible]	−2	17.7	q2.2	6.8	7.0

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	655	.....
Finlay Pkg. 5p	27	.....
Holt (Jos) 25p	1825	.....
Helton Hldgs	48	−3
IRG	128½	−2½
United Drug	173	−½

IRISH

Cap. 9½% Ln. 1991	£99¼	.....
9pc Cap Ln. 1996	£98¾	.....
Fin. 13% 97/02	£115	.....
Arnotts	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Rediers	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	60
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property	
Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils	
Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines	
Lonrho	21
RTZ	48

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AUTHORISED UNIT TRUSTS

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1051 6	1051.6	1079.8	....	4.63

Maldon Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 071 226 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	116.2	116 2	119.3	....	4.88

Manville Management Ltd (1200)H
St George's Way, Stevenage Dealings: 071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	132.9	132.9	141.4	-0 4	4.00
Gilt & Fxd Inc	5	140.3	140.3	147.6	-0 7	8.72
Int'l Growth	5¼	156 0	156.3	166.3	+1.4	0.39
North American	5¼	101.1	102.1	109.3	+2.0	0.29
Far East	5¼	123.1	124.2	132.2	+0 5	0.32
UK Smaller Cos	5¼	105 0	107.7	114 6	-0.1	3.02
European	5¼	55 09	56.88	59 78	+0.27	1.16
Japanese Growth	5¼	30.86	38.86	41 64	-0.16	0.00
Managed P'folio	5¼	50.46	50.90	54 15	+0.38	1.64
High Income	5¼	148.9	150 7	160 4	-0 1	6.88
High Yielding Gh	5¼	50.48	50 68	53.96	-0.13	9.61
Cash		50 94	50 94	50.94	+0 03	10.37

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	159.7	159 7	170 5	+2.4	0.91
European Gwth	5¼	201.4	201.4	215.1	+0.6	0.00
Intl Gwth	5¼	151.3	151.3	161 8	+1.8	0.00
UK Equity Inc	5¼	117 0	117.0	126.1	....	6.43
UK Equity Acc	5¼	131.8	131 9	142 6	....	6 41
UK Ind Tracker Inc	5	121.9	121.9	130 2	....	3.85
UK Ind Tracker Acc	5	130.5	130.3	139.1	....	3 00
US Eq Ind Tracker Inc	5	150 8	150 8	160 8	+2.2	2.75
US Eq Ind Tracker Acc	5	154.9	154.9	166 0	+2.3	2.78
Japan Tracker	5	65 98	65.18	60.12	-0.27	0.00
Asian Tracker	5¼	88.74	88.74	93 06	+0.26	1.41
Managed Inc	5¼	100.1	100 1	107 6	+0 2	1.98
Managed Acc	5¼	102.1	102.1	104.7	+0 2	1.98
Cash Inc	0	100.23	100 23	100 23	+0.07	11.70
Cash Acc	0	108.60	108 60	108 60	+0 08	11.70
Europa	5¼	107 3	107.3	114.8	+0.6	0.00

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Bnd 7s	4	118.88	118.88	126.73	-0 84	2.60
Exempt Smllr Cos	3¼	225.15	225.15	244.21	-0.83	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

Stenhouse Intl Inv Mngrs Ltd (1200)F

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke, Hants 0800 525725

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Funds in Court*

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Albany Life Assurance Co Ltd—Contd.

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

CMI Insurance Co Ltd – Contd.

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fidelity Life Assurance Co Ltd

Finance International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

ISEL Britannia International Ltd

Providence Capitol International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

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Atticus Investment Services Ltd

James Campbell Financial Services

Chase de Vere PLC

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Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Bowie F.S. Ltd

Markham Riggs & Partners

Moneymaster Financial Services Ltd

Rosenberg Financial Management Ltd

Sharp (Albert E) & Co.

Siltain Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

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Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

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Gartmore Invest Managers (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Kleinwort Benson (Intl) Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Pacific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Dartmont Management (Guernsey) Ltd

Fleuri-Cassell Fund Mngrs (Guernsey) Ltd

Jahn Govett Mngmt International Ltd

Hambros Fund Managers (CI) Ltd

Henderson Adams (Guernsey)

Hill Samuel Fund Managers (Guernsey) Ltd

Kleinwort Benson Atlantic Fd Mngmt Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Small International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Standage Fund Mngrs Ltd

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Heavy selling depresses peseta

THE PESETA was under pressure again yesterday as fears of lower Spanish interest rates sparked off heavy selling by international fund managers and caused the Deutsche-mark to rally and sterling to weaken.

The peseta has fallen by almost 2½ per cent in the last week following reports that Spanish interest rates could be reduced once a productivity pact with trade unions has been agreed.

There has also been persistent suggestions in foreign exchange markets that Spain may accompany any move to the narrow Exchange Rate Mechanism band with a devaluation of the peseta, although this was denied by the Bank of Spain.

There was near-panic selling at one stage yesterday as some large investors appeared to be caught out by the peseta's decline. Suggestions that the Bank of Spain may have intervened in the market helped break its decline.

Many analysts believe the fear of Bank of Spain intervention and the scale of the fall over the past week will cause the peseta to pause for breath. The D-Mark closed at Pta62.80, up 50 points on the day and more than a peseta higher on the week.

The heavy selling of pesetas rippled through the Exchange Rate Mechanism with the D-Mark being the main beneficiary. The mark rallied against the lire and the French franc; it also strengthened against the yen.

Another effect of the peseta's weakness was to lower sterling's floor against the D-Mark from DM2.9150 to DM2.8850. With the Bank of England now obliged to intervene at a lower rate, there was less fear of selling sterling at current levels.

Sterling was also weakened by worries over the government's political standing. The most recent opinion poll has put the Conservative government some 10 points behind the opposition Lahour party. Speculation of a further interest rate cut also depressed the pound.

The latest May retail sales figures, which reported another decline, was a further sign that the economy is still in recession and encouraged speculation that further cuts in rates will be needed if consumer confidence is to be revived in time for the next general election, which must be held no later than June of next year.

Sterling closed yesterday at DM2.9250 from DM2.9350; at $1.6265 from $1.6400; at Y229.25 from Y230.50; and at FFr9.9325 from FFr9.9675; it was unchanged at SFr2.5125. Sterling's index finished down 0.4 at 89.4.

The US dollar rose modestly on hopes of stronger-than-expected April trade figures tomorrow. There was even speculation that the deficit could narrow to just $2bn compared with $4hn in March. However, most analysts expect a deficit of around $4hn.

The dollar closed higher at DM1.7980 from DM1.7890; at SFr1.5450 from SFr1.5325; at Y141.00 from Y140.50.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.438	-3.14	4.31	54
Italian Lira	1538.24	1529.63	-0.56	1.60	31
Belgian Franc	42.4032	42.2106	-0.45	1.50	25
Dutch Guilder	2.31643	2.30983	-0.28	1.32	17
D-Mark	2.05586	2.05114	-0.23	1.27	18
Irish Punt	0.767417	0.767199	-0.03	1.06	4
Sterling	0.696904	0.701527	0.66	0.37	-13
Danish Krone	7.84195	7.91033	0.87	0.16	-37
French Franc	6.89509	6.96642	1.03	0.00	-54

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Jun 17	Latest	Previous Close
£ Spot	1.6250-1.6260	1.6325-1.6335
1 month	0.74-0.72pm	0.73-0.71pm
3 months	2.06-2.03pm	2.04-2.01pm
12 months	5.80-5.70pm	5.75-5.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jun 17	Previous
8.30 am	[illegible]	[illegible]
9.00 am	[illegible]	[illegible]
10.00 am	[illegible]	[illegible]
11.00 am	[illegible]	[illegible]
Noon	[illegible]	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	[illegible]	[illegible]
3.00 pm	[illegible]	[illegible]
4.00 pm	[illegible]	[illegible]

CURRENCY MOVEMENTS

Jun 17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.4	-21.2
U.S. Dollar	68.2	-10.7
Canadian Dollar	107.1	+3.6
Austrian Schilling	108.4	+10.9
Belgian Franc	109.9	-3.0
Danish Krone	107.4	+2.4
D-Mark	115.8	+22.7
Swiss Franc	110.2	+19.7
Dutch Guilder	112.6	+14.8
French Franc	101.4	-14.1
Lira	97.9	-20.1
Yen	136.2	+65.9

Morgan Guaranty changes, average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jun 14

CURRENCY RATES

Jun 17	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.805290	0.701527
U.S. Dollar	6.00	1.31222	1.13998
Canadian $	9.06	1.50000	1.30243
Austrian Sch	7	16.6376	14.4287
Belgian Franc	10.50	48.6801	42.2106
Danish Krone	9	9.12321	7.91033
D-Mark	6.50	2.36200	2.05014
Dutch Guilder	7.75	2.66263	2.30983
French Franc	10¼	8.02423	6.96642
Italian Lira	11½	1761.60	1529.63
Japanese Yen	6	185.089	160.851
Norway Krone	0	9.24197	0.02604
Spanish Peseta	-	147.168	129.438
Swedish Krona	10.00	N/A	7.41672
Swiss Franc	6.00	2.02410	1.76127
Greek Drach	19	N/A	223.470
Irish Punt	-	N/A	0.767199

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland
† European Commission Calculations
* All SDR rates are for Jun 14

OTHER CURRENCIES

Jun 17	£	$
Argentina	16116.4 - 16142.6	9930.00 - 9940.00
Australia	2.1390 - 2.1410	1.3185 - 1.3195
Brazil	478.620 - 479.410	294.900 - 295.200
Finland	6.9155 - 6.9280	4.2670 - 4.2700
Greece	315.300 - 321.600	193.900 - 197.780
Hong Kong	12.5085 - 12.5245	7.7220 - 7.7250
Iran	113.00*	69.80*
Korea(Sth)	1171.70 - 1190.60	720.50 - 726.10
Kuwait	0.4705 - 0.4715	0.2905 - 0.2915
Luxembourg	60.15 - 60.25	36.95 - 37.05
Malaysia	4.5175 - 4.5255	2.7890 - 2.7910
Mexico	4893.35 - 4898.00	3015.00 - 3016.00
N.Zealand	2.8160 - 2.8210	1.7360 - 1.7390
Saudi Ar	6.0825 - 6.1405	3.7490 - 3.7510
Singapore	2.8965 - 2.9035	1.7865 - 1.7885
S Af (Cm)	4.6660 - 4.6770	2.8810 - 2.8825
S Af (Fn)	5.4120 - 5.5040	3.3335 - 3.3900
Taiwan	44.45 - 44.55	27.15 - 27.20
U.A.E.	5.9550 - 6.0135	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Jun 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6230 - 1.6270	1.6260 - 1.6270	0.73-0.71cpm	5.31	2.05-2.02pm	5.00
Canada	1.8535 - 1.8600	1.8550 - 1.8560	0.45-0.40cpm	2.75	0.66-0.58pm	1.34
Netherlands	3.2825 - 3.3000	3.2900 - 3.3000	⅝-⅜cpm	2.05	1⅞-1⅝pm	1.82
Belgium	60.00 - 60.30	60.15 - 60.25	14-9cpm	2.29	32-27pm	1.96
Denmark	11.2525 - 11.2925	11.2800 - 11.2900	2-1⅝orepm	1.86	5¼-4⅝pm	1.68
Ireland	1.0925 - 1.0950	1.0930 - 1.0940	0.07-0.12pdis	-1.04	0.22-0.32dis	-0.99
Germany	2.9175 - 2.9275	2.9225 - 2.9275	⅝-½pfpm	2.31	1⅝-1⅜pm	2.05
Portugal	257.50 - 259.35	257.90 - 258.90	21-40cdis	-1.42	44-97dis	-1.09
Spain	182.70 - 184.15	183.50 - 183.80	5-13cdis	-0.99	31-41dis	-0.78
Italy	2173.25 - 2183.50	2175.75 - 2176.75	1dis-1lirepm	-	par-2pm	0.12
Norway	11.4225 - 11.4625	11.4450 - 11.4550	1¼-¾orepm	1.05	3½-2⅝pm	1.07
France	9.9150 - 9.9475	9.9275 - 9.9375	1¼-⅞cpm	1.21	3⅝-3⅛pm	1.33
Sweden	10.5625 - 10.5875	10.5725 - 10.5825	1⅞-1orepm	1.63	2¼-1⅝pm	0.73
Japan	228.75 - 229.75	228.75 - 229.75	⅞-⅝ypm	3.60	2-1⅝pm	3.27
Austria	20.54 - 20.60	20.54 - 20.57	4¼-3⅜gropm	2.44	10⅝-6⅝pm	1.87
Switzerland	2.5075 - 2.5175	2.5075 - 2.5175	¾-⅝cpm	3.28	2-1⅞pm	2.99
Ecu	1.4220 - 1.4275	1.4220 - 1.4230	0.18-0.13cpm	1.31	0.47-0.38pm	1.70

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.63-3.55cpm. 12 Month 5.78-5.68cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jun 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6230 - 1.6270	1.6260 - 1.6270	0.73-0.71cpm	5.31	2.06-2.02pm	5.00
Ireland†	1.4835 - 1.4885	1.4850 - 1.4860	0.53-0.48cpm	4.08	1.45-1.39pm	3.80
Canada	1.1420 - 1.1435	1.1425 - 1.1435	0.24-0.27cdis	-2.68	0.68-0.73dis	-2.47
Netherlands	2.0225 - 2.0325	2.0245 - 2.0255	0.52-0.55cdis	-3.17	1.56-1.61dis	-3.13
Belgium	36.95 - 37.10	36.95 - 37.05	8.00-10.00cdis	-2.92	24.00-30.00dis	-2.92
Denmark	6.9150 - 6.9500	6.9350 - 6.9400	1.80-2.10oredis	-3.37	5.45-6.15dis	-3.34
Germany	1.7935 - 1.8010	1.7975 - 1.7985	0.43-0.44pfdis	-2.90	1.29-1.31dis	-2.89
Portugal	158.95 - 159.35	159.00 - 159.10	100-130cdis	-8.68	270-330dis	-7.54
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jun 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 7⅞-7¾ per cent; three years 8¼-8⅛ per cent; four years 8⅝-8½ per cent; five years 8⅞-8¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jun 17	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.626	2.925	229.2	9.932	2.512	3.295	2176	1.855	60.20	1.422
$	0.615	1	1.799	141.0	6.108	1.545	2.026	1338	1.141	37.02	0.875
DM	0.342	0.556	1	78.36	3.396	0.859	1.126	743.9	0.634	20.58	0.486
YEN	4.363	7.094	12.76	1000.	43.33	10.96	14.38	9494	8.093	262.7	6.204
F Fr.	1.007	1.637	2.945	230.8	10.	2.529	3.318	2191	1.868	60.61	1.432
S Fr.	0.398	0.647	1.164	91.24	3.954	1	1.312	866.2	0.738	23.96	0.566
H Fl.	0.303	0.493	0.888	69.56	3.014	0.762	1	660.4	0.563	18.27	0.432
Lira	0.460	0.747	1.344	105.3	4.564	1.154	1.514	1000	0.852	27.67	0.653
C$	0.539	0.877	1.577	123.6	5.354	1.354	1.776	1173	1	32.45	0.767
B Fr.	1.661	2.701	4.859	380.7	16.50	4.173	5.473	3615	3.081	100.	2.362
ECU	0.703	1.143	2.057	161.2	6.985	1.767	2.317	1530	1.305	42.33	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
86	3-45	4-05	0-11	0-37
87	2-54	3-22	0-20	0-54
88	2-02	2-43	0-32	1-12
89	1-23	2-07	0-53	1-39
90	0-56	1-40	1-22	2-08
91	0-34	1-14	2-00	2-46
92	0-21	0-57	2-51	3-25
93	0-12	0-40	3-42	4-05

Estimated volume total, Calls 1040 Puts 520
Previous day's open int. Calls 9449 Puts 10890

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
89	4-10	4-13	0-14	0-58
90	3-21	3-30	0-25	1-14
91	2-37	2-55	0-41	1-39
92	1-57	2-20	0-61	2-04
93	1-20	1-54	1-24	2-38
94	0-55	1-29	1-59	3-13
95	0-35	1-07	2-39	3-55
96	0-21	0-54	3-25	4-38

Estimated volume total, Calls 2 Puts 2
Previous day's open int. Calls 832 Puts 266

LIFFE D-MARK FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8400	1.73	2.17	0.11	0.33
8450	1.32	1.80	0.22	0.46
8500	0.96	1.47	0.36	0.63
8550	0.66	1.17	0.56	0.83
8600	0.43	0.92	0.83	1.08
8650	0.27	0.70	1.17	1.36
8700	0.17	0.53	1.57	1.69
8750	0.10	0.40	2.00	2.06

Estimated volume total, Calls 2758 Puts 3709
Previous day's open int. Calls 52259 Puts 47034

LIFFE EUROMARK OPTIONS DM1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9000	0.55	0.94	0	0.02
9025	0.30	0.70	0	0.03
9050	0.05	0.47	0	0.05
9075	0.00	0.28	0	0.11
9100	0	0.14	0.05	0.22
9125	0	0.06	0.22	0.39
9150	0	0.03	0.55	0.61
9175	0	0.01	0.80	0.84

Estimated volume total, Calls 1233 Puts 220
Previous day's open int. Calls 31163 Puts 24234

LIFFE EURODOLLAR OPTIONS US$1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9300	0.81	0.51	0	0.04
9325	0.56	0.31	0	0.09
9350	0.31	0.16	0	0.19
9375	0.06	0.07	0	0.35
9400	0	0.03	0.19	0.56
9425	0	0.01	0.44	0.79
9450	0	0	0.69	1.03
9475	0	0	0.94	1.28

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 3125 Puts 3786

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
8775	0.90	1.66	0	0
8800	0.65	1.41	0	0
8825	0.40	1.16	0	0
8850	0.15	0.92	0	0.01
8875	0.01	0.68	0.11	0.02
8900	0	0.47	0.35	0.06
8925	0	0.30	0.60	0.14
8950	0	0.17	0.85	0.26

Estimated volume total, Calls 3022 Puts 4899
Previous day's open int. Calls 58244 Puts 65053

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Jun	89-15			89-25
Sep	89-17	89-26	89-14	89-27

Estimated volume 15717 (12339)
Previous day's open int. 76374 (76648)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Jun	93-25	94-00	93-29	93-21
Sep	92-30	93-03	92-29	92-25

Estimated volume 1139 (2943)
Previous day's open int. 4337 (4244)

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

	Close	High	Low	Prev
Sep	85.60	85.91	85.55	85.71
Dec	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Jun	93-26	94-00	93-23	93-26
Sep	92-31	93-08	92-29	93-00
Dec	92-09	92-15	92-08	92-10
Mar	-	-	-	91-24
Jun	-	-	-	93-00
Sep	-	-	-	92-10
Dec	-	-	-	90-11
Mar	-	-	-	-
Jun	-	-	-	91-08
Sep	-	-	-	90-25
Dec	-	-	-	-

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Jun	94.36	94.36	94.35	94.36
Sep	94.22	94.23	94.22	94.22
Dec	93.83	93.83	93.82	93.81

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev
Jun	0.7080	0.7089	0.7080	0.7104
Sep	0.7063	0.7060	0.7061	0.7076
Dec	0.7040	0.7045	0.7037	0.7062
Mar	0.7083	-	0.7040	0.7062

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev
Jun	0.5556	0.5563	0.5552	0.5573
Sep	0.5516	0.5523	0.5513	0.5533
Dec	0.5488	0.5492	0.5488	0.5500
Mar	-	-	-	0.5474

[Remaining futures and options tables — Three-month Eurodollar (IMM), Swiss Franc (IMM), Standard & Poors 500 Index, Philadelphia SE £/$ Options, LIFFE 9% notional ECU bond, Three-month sterling, Three-month Eurodollar, Three-month Euromark, FT-SE 100 Index, Euro Swiss Franc, 10 year 10% notional French bond (MATIF) futures, three-month Pibor futures (MATIF), CAC-40 futures (MATIF), ECU bond (MATIF), option on long-term French bond (MATIF): illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls March	Puts Sept.	Puts Dec.	Puts March
103	-	-	-	0.25	-	-
104	-	-	-	0.49	-	-
105	0.96	1.47	-	0.88	1.19	-
106	0.54	1.02	-	1.41	-	-
107	0.20	0.68	-	-	-	-
108	0.13	-	-	-	-	-
Open Int.	109,858	20,464	1,800	103,654	16,926	9,700

Estimated volume 14,584 Total Open Interest 252,392

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6265	1.6193	1.6052	1.5905	1.5692

IMM STERLING $ per £

	Latest	High	Low	Prev.
Jun	1.6300	1.6256	1.6198	1.6328
Sep	1.6090	1.6056	1.6009	1.6128
Dec	1.5900	1.5918	1.5890	1.5980

MONEY MARKETS

Higher UK rates

UK MONEY rates were firmer yesterday as sterling's losses and the government's poor standing in opinion polls put a question mark over the possibility of an immediate reduction in interest rates. The Bank of England's money market operations also led to a hardening in rates.

The Bank last week discouraged speculation about an early cut in rates, but dealers believe it has left the door open to a reduction later in the month.

But with sterling slipping down the Exchange Rate Mechanism grid, there is a growing feeling that a cut in rates may be postponed until next month. However, others believe the government might move to cut rates earlier, in order to improve its political standing in the country.

One senior money market dealer said opinion was evenly divided between those expecting political factors to force an early cut and the rest who anticipate currency considerations to dominate.

Three-months money was at 11⅞-¼ per cent, up from 11¼-⅛, while one year was at 10$\frac{15}{16}$-$\frac{13}{16}$, from 10⅞-¾. In the futures market, June short sterling was down 12 at 88.65, implying an interest rate of 11.35 per cent by the end of the month.

The Bank of England yesterday left the market slightly short of liquidity, and this contributed to the firmness in rates. The Bank bought £802m of Treasury hills compared with a money market shortage of £900m.

In Stockholm short-term yields rose as worries about the Swedish crown ahead of a bond issue unnerved the money markets. Six months paper was up seven basis points at 10.90 per cent.

In Paris the Bank of France left its intervention rate unchanged at 9 per cent at a securities repurchase tender yesterday but drained a small amount of liquidity. The Bank of France accepted hids for FFr48.0bn against an expiring pact of FFr48.8bn. The French franc's weakness against other ERM currencies has made the government unwilling to cut rates quickly.

In Brussels fresh liquidity was added to the markets after the Bank of Belgium allocated BFr24.98bn on its seven day advances against government paper and commercial bills, replacing BFr18.25.

In New York the Federal Reserve refrained from open market operations. Federal funds were unchanged at 5$\frac{11}{16}$ per cent.

UK clearing bank base lending rate 11.5 per cent from May 24, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Jun 17) 3 months US dollars: bid 6⅛, offer 6¼; 6 months US Dollars: bid 6⅜, offer 6½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

Jun 17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jun 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	11.5	Comm. Bk of London Plc	11.5	McDonnell Douglas Bnk.	11.5
Adam & Company	11.5	Co-operative Bank	11.5	Midland Bank	11.5
Allied Trust Bank	11.5	Coutts & Co	11.5	Mount Banking	11.5
AIB Bank	11.5	Cyprus Popular Bk	11.5	NatWestminster	11.5
● Henry Ansbacher	11.5	Dunbar Bank PLC	11.5	Northern Bank Ltd	11.5
B & C Merchant Bank	11.5	Duncan Lawrie	11.5	Nykredit Mortgage Bank	12
Bank of Baroda	11.5	Equatorial Bank plc	11.5	Provincial Bank PLC	14
Banco Bilbao Vizcaya	11.5	Exeter Bank Limited	12	Roxburghe Bank Ltd.	12.5
Bank Credit & Comm.	11.5	Financial & Gen. Bank	12	Royal Bk of Scotland	11.5
Bank of Cyprus	11.5	First National Bank Plc.	14	● Smith & Williams Secs.	11.5
Bank of Ireland	11.5	● Robert Fleming & Co.	11.5	Standard Chartered	11.5
Bank of India	11.5	Robert Fraser & Ptns.	12	TSB	11.5
Bank of Scotland	11.5	Girobank	11.5	Unibank plc	11.5
Banque Belge Ltd	12	● Guinness Mahon	11.5	● United Bk of Kuwait	11.5
Barclays Bank	11.5	● Hambros Bank	11.5	Unity Trust Bank Plc	11.5
Benchmark Bank	11.5	Hampshire Trust Plc	13.5	Western Trust	11.5
Brit Bk of Mid East	11.5	Heritable & Gen Inv Bnk.	11.5	Westpac Bank Corp.	11.5
● Brown Shipley	11.5	● Hill Samuel	11.5	Whiteaway Laidlaw	11.5
CL Bank Nederland	11.5	C. Hoare & Co.	11.5	Yorkshire Bank	11.5
Citibank NA	11.5	Hongkong & Shanghai	11.5		
City Merchants Bank	11.5	● Leopold Joseph & Sons	11.5		
Clydesdale Bank	11.5	Lloyds Bank	11.5		
		Meghraj Bank Ltd	11.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

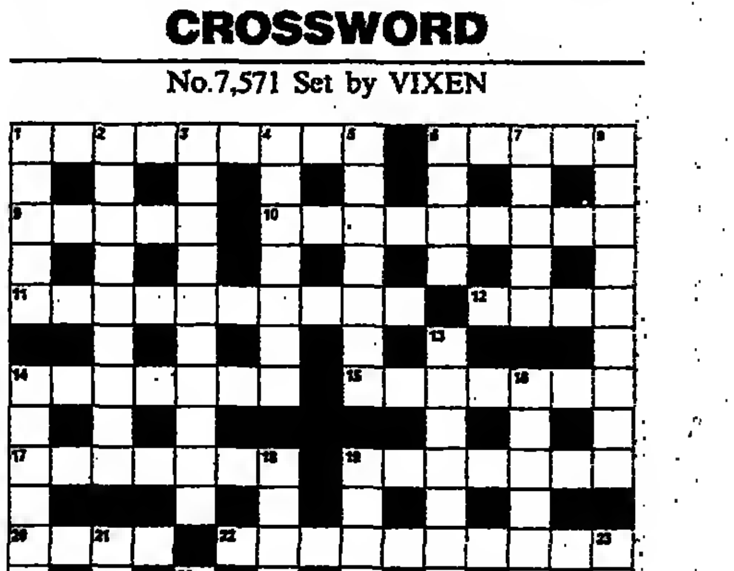
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,571 Set by VIXEN



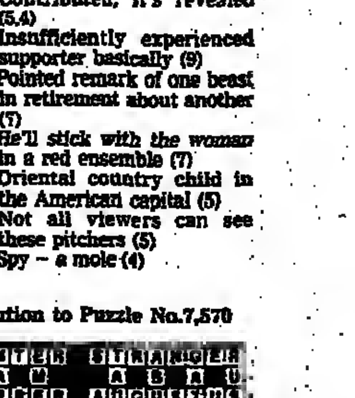
ACROSS

1 Hardy will set one right in the break (9)
6 Shy, but make a song about the Left (5)
9 The guy seen in topping wear which is quite inexpensive (5)
10 Writing about caustic comeback and lying (9)
11 Consider becoming involved in a rebel organisation that's worth saving (10)
12 Measures people may take a stand on (4)
14 Builders go under, though payment is made (7)
15 A way to get by at river height (7)
17 Girl models are evil! (7)
19 A copper provides cover for such pests (7)
20 Mark of the Devil? (4)
22 The person giving patient attention in the wee small hours (5-5)
25 He's by no means outspoken! (9)
26 Present for the service (5)
27 Yes indeed the really good person should get a rise (5)
28 Making pickles tires a man badly (9)

DOWN

1 Come round repeatedly about a dog (5)
2 Rush – a spring flowering plant (8)
3 They must watch their language! (3-7)
4 "Never complain and never — advised Disraeli (7)
5 Softly plays over lest disturbance is caused (7)
6 Plot calling for sound vision (4)
7 A robber dropping the cash gets angry (5)
8 The exaltation of newly created sergeants! (9)
13 Not up to cleaning up the city (10)
14 Contributed, it's revealed (5,4)
16 Insufficiently experienced supporter basically (9)
18 Pointed remark of one beast in retirement about another (7)
19 He'll stick with the woman in a red ensemble (7)
21 Oriental country child in the American capital (5)
23 Not all viewers can see these pitchers (5)
24 Spy – a mole (4)

Solution to Puzzle No.7,570



ART GALLERIES

PERSONAL

حكمة من الأصل

WORLD STOCK MARKETS

AUSTRIA

June 17	Sch	+ or −
Austrian Airlines	3,200	−90
Creditanstalt	3,720	+10
EA General	4,351	+1
EVN	875	−1
Jungbunzlauer	9,800r	+100
Laenderbank	1,380	+180
OeMV	947	+2
Perlmooser Zement	1,510	−378
Radex Heraklith	889	+2
Reininghaus Brue	2,070	−170
Steyr Daimler	405	—
Veitscher Magnesit	791	−2
Verbund (Br) A	534	+5
Wienerberger	5,790	.....

BELGIUM/LUXEMBOURG

June 17	Frs.	+ or −
ACEC-Union Min	2,575	—
Arbed	4,370	−20
BBL	2,750	+20
Bank Intl a Lux	10,950	—
Banq Gen Lux Pts	12,550	—
Barco	1,254	+6
Bekaert	9,740xd	—
CBR Ciment	8,230	−30
Cobepa	5,200	+20
Cobepa AFV 1	5,140	....
Cockerill Priv	192	—
Colruyt	3,350	....
Delhaize Frs Lion	8,050xd	−20
Electrabel	4,425	−40
Electrabel AFV	4,425	−20
Electrafina ACT	3,075xd	—
Fabrique Nat	116	—
[illegible]	[illegible]	[illegible]

FRANCE (continued)

June 17	Frs.	+ or −
Bongrain	2,401	+14
Bouygues	602	−10
CGIP	1,077	−13
C M B Packaging	157.10xd	−1.90
Canal+	1,007	+8
Cap Gemini S	349xd	+0.30
Carrefour	2,058	−28
Casino	133.30xd	−1.60
Cetelem	680r	−4
Chargeurs	782	+9
Ciments Fr	345	−4.90
Club Mediterranee	457.10	−5.40
Cogifi	375	+0.10
Coparex	580	−1
C C F	158.50	−1
Cr Fonc France	1,207xd	−23
Cred Lyon (CI)	578	−2
Credit Nationale	1,223xd	−9
Damart	2,008	−2
Docks de France	3,828	−58
Dollfus Mieg Cie	375	....
EBF	740	—
Eaux Cie Genl	2,710	+10
Ecco	403.50	+1.50
Elf-Aquitaine	368	−0.90
Elf-Aquitaine Certs	235.10	−2
Essilor Int	564	−2
Ebex	1,890	....
Eurafrance	1,641	−14
Eurocom	807	+6
Euro Disney	119	−0.90
Euromarche	4,040	+50
Exor	1,452	−33
Finextel	136	+1
Fonc Lyonnaise	805	−2
From Cet Asy	2,127	....
GTM-Entrepose	418	+5
[illegible]	[illegible]	[illegible]

GERMANY (continued)

[illegible]

NETHERLANDS

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SOUTH AFRICA

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

ITALY

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs.

CANADA

TORONTO

3:00 pm prices June 17

Quotations in cents unless marked $

[illegible]

MONTREAL

3:00 pm prices June 17

[illegible]

INDICES

NEW YORK DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA TORONTO

[illegible]

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday June 15: Taiwan Weighted Price: 5925.39 Korea Comp Ex: 683.97.
‡ Subject to official recalculation. † Correction.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 17 June 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	2.8m	422	-4	Press Kogyo	2.8m	880	+26
Honshu Paper	4.1m	941	-40	Rengo	2.8m	880	+21
Cosmo Oil	3.8m	867	-13	Mitsubishi Heavy	2.3m	725	+2
Toshiba	3.7m	764	+6	NKK	2.2m	385	-5
Sumitomo Metal	3.7m	443	-16	Kawasaki Steel	2.0m	406	-5

3:15 pm prices June 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	8¼	AAR Corp	0.48	0.03	14	140	15⅛	14⅞	15⅛	+⅛
18⅛	14½	A L Labs A x	0.10	0.04	10	54	16⅞	16⅝	16⅞	+⅛
50½	40¾	AMP Inc	1.44	0.03	18	282	52½	01	52⅛	−½
68⅞	44¼	AMR				19 3457	65¼	64⅞	65	−⅛
2⅞	1¼	ARX				1z100	1⅝	1⅝	1⅝	
51¼	41½	ASA	3.50	0.07	14	187	40⅞	40⅞	40¼	
54	39¼	Abbott Lab	1.00	0.02	22	2392	51⅛	50⅞	50⅞	−⅛
14½	9⅞	Abitibi Pr	0.50	0.04	26	10	13⅞	13⅛	13⅛	
11¼	10⅞	ACM Gvt In x	1.26	0.12		2833	11	10⅞	10⅞	−⅛
9⅛	8⅛	ACM GvOpp x	1.01	0.11		112	9⅛	8⅞	8⅞	
9¼	8⅛	ACM Gvt Sp x	1.01	0.11		288	9	8⅞	9	+⅛
11	9⅞	ACM Gvt Se	1.26	0.12		1975	10⅛	10	10⅛	−⅛
8⅞	7⅝	ACM Man x	1.01	0.12		121	8¼	8⅛	8⅛	
12⅞	11½	ACM Mangd x	1.37	0.11		260	12⅛	12	12½	
7½	4¾	Acme Cleve	0.40	0.05	16	34	7	6⅞	6⅞	−⅛
8	3½	Acme Elect			40	13	4⅛	4⅛	4⅛	−⅛
40	22¾	Acuson			23	886	32⅛	31¾	31⅞	−½
19½	14⅛	Adams Expr	0.73	0.04	0	99	18	17⅞	18	
20⅞	19⅞	Adobe12Pf	2.40	0.12		14	19⅞	19⅞	19⅞	
9⅛	7	Adobe Res				22 2106	7⅛	7⅛	7⅛	
38⅞	18	Ad Micro				394	36	35¼	35⅛	−⅛
14⅛	4⅞	Ad Micro P	3.00	0.24		14 2330	15⅞	13⅛	12¼	−⅛
3⅛	2⅛	Advest Grp	0.16	0.04	8	65	4⅛	4⅛	4⅛	−⅛
48⅞	33⅞	Aetna Lf	2.76	0.07		7 1300	43¾	40¼	42½	−¼
10⅝	6⅝	Ahl A	0.24	0.03	35	506	8⅞	8½	8⅛	+⅛
20⅛	12	Ahmanson	0.06	0.06	10	529	18⅞	18½	18½	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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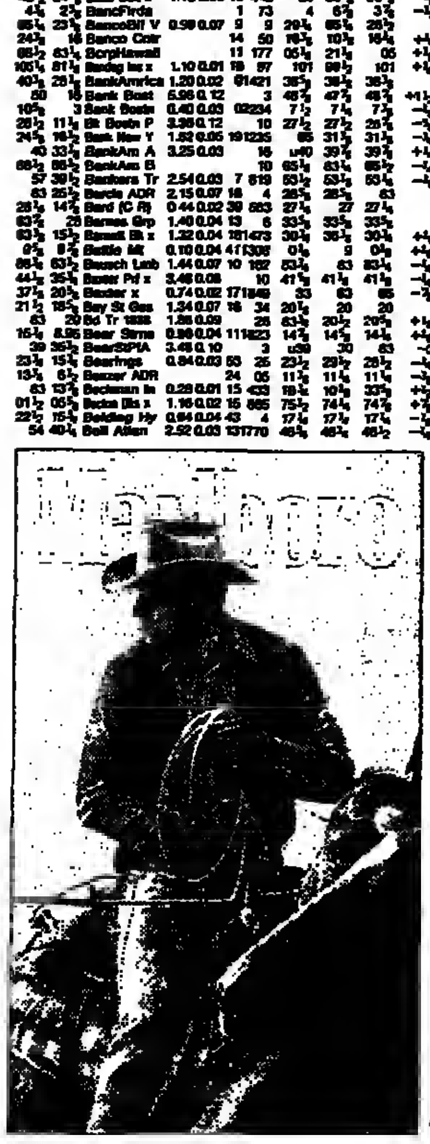

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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26⅜	14⅞	Rohr Inds			35	337	24½	24½	24½	+⅛
12⅞	8½	RolllnsEnv	0.09	0.01	19	482	9⅛	9	9	
25	18⅞	RollinsInc	0.58	0.02	19	94	25⅜	25⅜	25⅜	−⅛
13⅞	7⅛	RollinsTrL	0.20	0.02	12	48	12⅞	12¾	12¾	
11⅞	8¼	Rowan Cos				1451652	9	8¼	8¾	
25	22⅝	RoylBkScot x	2.81	0.12		16	24⅝	24	24⅜	
84¾	73⅜	RylDutch	4.23	0.05		102386	79⅛	78⅞	78	−½
11	7½	Royce Val				91	10⅛	10	10⅛	+⅛
54	37	Rubbermaid	0.03	0.01	28	337	50	49¾	49½	−½
17½	13⅜	RussBerrie	0.02	0.04	11	08	14⅛	14⅛	14⅛	
7⅛	4	Russ Togs			1	216	5⅞	5⅞	5⅞	+⅛
26⅝	19¾	Russell Cp	0.32	0.01	17	157	23¾	23½	23⅝	−¼
21⅞	14	Ryder Syst	0.60	0.03	25	1687	21⅜	21¼	21¼	
25¼	13¼	Ryland Grp	0.60	0.03	31	787	20¾	20½	20½	−⅛

- S -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	20⅜	9 Aella Rt x	2.08	0.08	17	16	25⅝	25⅛	25⅛	
15¼	11½	SCOR US Cp x	0.24	0.02	6	6	13¼	13¼	13¼	
37	20¾	SPS Techno x	1.28	0.04	15	9	30⅝	28⅜	30½	−⅛
2¼	⅞	SaatchiS&S				01264	1	⅞	1	
13	11	Sabine Rlt x	1.64	0.13	7	28	12⅝	12¼	12¼	
9⅞	5⅞	Safecard	0.15	0.02	9	248	8⅞	8⅜	8⅞	+⅛
13¾	6⅝	Safeg'd Sc			3	75	13⅝	13	13¾	+¼
37	25	SafetyKln x	0.02	0.04	20	369	23¼	31⅛	31⅞	−⅛
21⅞	11⅞	Safeway			19	745	19⅝	13	19¾	
4⅞	2⅞	SafewayWGS			19		4⅜	4⅛	4⅞	
36⅞	28⅞	StJoePaper x	0.20	0.01	33	50	34⅞	33¾	34⅛	+⅛
32	28⅝	StJoeL&P	1.66	0.06	10	x100	28⅞	20⅞	28⅞	

- T -

1991 High	1991 Low	Stock	Div.	Yld.
9⅞	4⅜	Systems Cn		
9¼	4½	TCBY Enter	0.40	0.02
16¾	7	TCF Financ	0.60	0.08
8⅝	9⅞	TCW Conv S	0.04	0.10
43⅝	29⅞	TDK Corp A	0.31	0.01
8⅛	5⅝	T I S Mige	1.28	0.14
19⅞	9⅝	TJX Cos	0.46	0.02
21	18⅜	TNP Enterp	1.63	0.00
43¾	34½	TRW Inc	1.80	0.04
1½	⅞	TacomaBoat		
24⅝	18⅛	Taiwan Fd		
8¼	4½	Talleyind.	0.20	0.04
11¾	7	Talley Pf		
35½	30⅝	Tambrands x	1.20	0.02
16⅞	8¼	Tandem		
36½	00	Tandy Corp	0.06	0.03
12	10⅞	Taurus Mun x	0.85	0.07
36¼	21½	Teco Energ	1.72	0.05
26⅜	16¾	Tektronix	0.60	0.03
1⅝	⅞	Telecom Co		
24⅞	14⅞	Teledyne	0.80	0.04
30⅛	28⅝	TeleEspBA	1.61	0.06
48¾	29½	Templeinl	0.55	9.02
10¾	11½	TempltEmMk	0.16	0.04
9⅝	8½	TempltGlob	0.90	0.13
8⅞	7⅞	TempltGIFd x	0.90	0.11
52	40½	TennecoInc	3.20	0.02
22	18⅝	Teppco Pts	2.20	0.10

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60½	36¼	Xerox x	0.02	0.08	81	360	54⅝	29⅞	54⅛	−⅛
51	43¾	Xerox4.125 x				4	48¾	48¾	48¾	
21¼	14⅛	Xtra 1.94				150	00⅝	20	00⅜	+⅛
24⅞	14¼	Xtra Corp	0.72	0.03	200	152	29⅞	29½	23¾	+⅛
24¼	21⅞	Yankee Egy x	1.00	6.07	12	29	23⅝	23½	23⅜	
1½	⅞	Zapata			5	394	⅞	⅞	⅞	
8⅝	6⅛	ZenithElec			2	224	7⅝	7⅛	7⅞	
18½	12	Zenith Nat	1.00	0.02	73	6	17⅝	17⅝	17⅝	+⅛
8⅛	4½	Zenix Inc x	0.92	0.17		137	u6⅛	5⅞	5⅞	−⅛
15⅛	16⅞	Zero Corp	0.60	0.03	14	181	13¼	10⅛	13⅛	−⅛
41⅝	29½	Zurn Ind x	0.88	0.02	14	450	36⅛	36¾	28⅛	+⅛
13½	10¼	Zweig Fund	1.12	6.09		168	12¼	12⅛	12⅛	
10	6½	Zweig Totl x	0.08	0.10		80	u15	9¾	9¾	−⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices June 17

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.44	23	410	38⅝	35¼	35½	
Pegasus G		5	201	10	12⅞	15	+⅛
Periel		9	27	13	12⅞	12⅞	+⅛
Pet H&P	0.31	12	29	10½	15½	10½	
Phil LD x	0.17	8	1266	00⅛	19⅝	19½	−1⅛
Pitney A x	1.19	11	22	00⅞	25⅝	23⅝	−⅛
Ply Gem	0.12	58	40	6⅞	6⅝	6⅞	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Giant FdA	0.65	14	96	29½	29⅞	29⅞	−⅛
Giant Yel		1	185	4⅜	4⅛	4⅞	+⅛
Glatfltr	1.20	14	34	29	64⅞	55	
Goldfield		31	26	⅜	⅜	⅜	
Greenman		21	4	3⅝	3⅝	5⅝	−⅛
Greiner	0.08	20	21	15⅞	16⅜	15¾	
GW Corp		19	5	4	4	4	−⅛
Gulf Cda	0.48	10	39	7⅞	7⅞	7⅞	
Hasbro	0.04	15	115	29⅛	29	20	−⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Nat Ptnt		1	35	4½	4⅜	4⅜	−⅛
New Line		10	49	11⅛	11⅛	11⅞	−⅛
NY TimesA	0.06	34	118	24½	24⅝	24⅛	
NuCanOil x	0.20	28	31	10⅝	13¼	13⅝	+⅛
Nuvest 058		48	48	6⅛	6⅞	6⅞	
NV Ryan		5	40	1⅛	1⅛	1⅛	
Odetics A		18	21	8½	6⅜	6⅜	−⅛
Oiltan	0.24	28	322	38⅛	16⅞	20¼	+⅛
Old Corp	0.15	12	830	7⅛	7	7	

NASDAQ NATIONAL MARKET

3:00 pm prices June 17

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		54	1042	24½	33¼	24¼	+1
XL Data		13	230	7	8¼	5¼	−⅛
Xyrox Corp		14	2373	29⅛	23	08⅛	+1⅛
Yellow Fr	0.94	15	1142	32⅞	23¼	32⅛	−⅛
York Rsch		19	302	29¼	15⅜	19⅞	−⅝
ZionsUtah	1.44	5	10	41½	40½	40½	−⅛

AMERICA

IBM weakness traps Dow in narrow trading range

Wall Street

SHARE prices were stuck in a narrow trading range yesterday morning as persistent weakness in IBM stock held back any attempt by the market to stage a rally, *writes Patrick Harverson in New York.*

At 1 pm the Dow Jones Industrial Average was up 0.89 at 3,001.34, having spent all morning a few points either side of the opening mark. The more broadly-based Standard & Poor's 500 was slightly lower, down 0.77 at 381.52 at 1 pm, while the Nasdaq composite of over-the-counter stocks was up 0.32 at 495.39. Turnover on the New York SE was only 79m shares by 1 pm.

The market's failure to follow through last Friday's strong gains suggested that many investors remain unconvinced that an economic recovery is under way. Although recent indicators have pointed to a turnround, some analysts have warned that the April and May statistics may have been distorted by unusually hot weather across the US, and that there could be more bad news to come before economic conditions really begin to improve.

IBM was a notable loser, slipping $3⅛ to $99⅝, the first time the stock has traded below $100 for eight months. IBM has been afflicted by poor earnings growth and signs of management difficulties within the group. A recent leaked memorandum which revealed strong criticism of senior staff by Mr John Akers, chairman of the computer maker, was particularly damaging to market sentiment. An announcement yesterday that IBM is setting up a wholly-owned subsidiary in the Soviet Union failed to lift the gloom surrounding the shares.

Other big computer stocks were dragged lower by IBM's weakness, with Compaq slipping $⅜ to $33⅞, Hewlett Packard dropping $⅜ to $51⅛, and Digital Equipment giving up $⅛ at $65⅛. Unisys, however, edged $⅛ higher to $4, and Motorola put on $⅞ at $65⅛.

AT&T firmed $⅛ to $37⅞ after Mr Robert Allen, chairman of the telecommunications giant, said that the transition phase of the group's acquisition of NCR, the computer group, was progressing quickly. HJ Heinz, the food group, rose $⅛ to $38⅝ on news of a slight improvement in fiscal fourth quarter net income, which rose to 58 cents a share, up from 51 cents a share a year earlier.

Among over-the-counter issues Failure Group fell $2 to $22 after an analyst at Prudential Securities trimmed her estimate for the management consulting services group's 1991 earnings and downgraded her rating on the stock to a hold. Atmel Corp slumped $2¼ to $13⅞ in brisk trading after the technology company forecast flat earnings growth for the second quarter. It said the earnings would be between 18 cents and 19 cents a share, compared with 18 cents a share in first three months of this year.

Canada

TORONTO stocks were flat in dull, midday trade after recovering from a mid-morning loss. Lack of corporate news and little movement on Wall Street or in the US benchmark 30-year bond provided Toronto with little direction. The composite index lost 3.0 to 3,557.7. Declines led advances by 187 to 160 on volume of 10.6m shares. Among the most active stocks were TransCanada, up C$⅛ at C$17⅞ and National Bank steady at C$11⅛.

ASIA PACIFIC

Turnover shrinks to 220m shares as investors retreat

Tokyo

SHARE prices declined as investors, who had propped up the market on Friday with index buying, stayed away yesterday. Volume fell back to previous levels, with only 220m shares changing hands after the hefty 900m registered on Friday, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed down 150.80 at 24,943.09 after a day's high of 25,100.31 and a low of 24,892.40. The index, which had risen above 25,000 for the first time in five days on Friday, failed to find support at that level yesterday.

Investors refrained from activity in the absence of fresh news. Traders said most transactions were between dealers. Falls led rises by 500 to 421, with 201 issues unchanged. The Topix index of all first section stocks shed 7.43 to 1,913.15. In London the ISE/Nikkei 50 index eased 0.61 to 1,423.55.

Traders added that underlying fundamentals such as interest rates and currency fluctuations had not changed. "It is like a day after a holiday," commented Mr John Courtney at WI Carr. But he added that investors were buying some individual stocks with firm earnings forecasts for the business year to 1993.

Interest rate-sensitive large-capital issues, which had *gained ground last Friday on* renewed hopes of an imminent discount rate cut, receded. Nippon Steel, the most active issue of the day, slipped Y8 to Y422.

Financials were also weaker *as some institutional investors* liquidated holdings. Industrial Bank of Japan dipped Y20 to Y3,590 and Mitsubishi Bank Y10 to Y2,740. Tokio Marine and Fire, the insurer, closed Y10 off at Y1,230 after touching a low for the year of Y1,220.

Speculative shares plummeted on reports that the Tokyo Stock Exchange (TSE) plans to exclude cornered stocks from margin trading. At present, the TSE allows margin transactions in all issues listed on the first section. Honshu Paper, a speculative favourite, fell Y49 to Y941 and Toyama Chemical lost Y37 to Y703.

Nagano-related issues advanced on news that the Nagano prefecture in central Japan had won the bid to host the 1998 winter Olympic games. Total costs are estimated at Y370bn, including Y120bn for facility construction and Y76bn for managerial expenses.

Mizuno, a leading sporting goods maker, rose Y30 to Y1,750. Construction companies based in Nagano were also sought, with Kitano Construction adding Y300 at Y1,860. Uekigumi, which did not trade due to a lack of sellers, finished bid only at Y870.

Press Kogyo, an auto part maker, climbed Y25 to Y880 on rumours of speculative buying. Rengo, a paper manufacturer, was also traded actively on speculative interest, rising Y21 to Y880.

Kyudenko, the electrical engineer, closed up Y20 at Y2,680 after reaching a record Y2,720. The issue has risen over 20 per cent from its recent low of Y2,170 on capital spending by utility companies.

In Osaka, the OSE average added 52.94 at 27,974.48 on volume of 20.8m shares. Nintendo retreated Y400 to Y14,100. The stock had risen last week as *investors anticipated that it* would be included in a major Osaka fund to be set up by a Japanese broker.

Roundup

WALL Street continued to have a positive effect on the Pacific Rim. Hong Kong and Taiwan were closed.

AUSTRALIA was lifted by strong local and offshore buying. The All Ordinaries index rose 16.5 to 1,523.3. Turnover jnmped to A$288m from A$178m, dominated by National Australia Bank, which gained 2 cents to A$6.44 on 13m shares exchanged as it went ex-dividend.

ANZ was active, rising 13 cents to A$3.60 on rumours that it planned to sell its 6 per cent stake in Coles Myer. Fosters Brewing, on a large turnover of 22m shares, put on 6 cents to A$1.58 as broker Ord Minnett dealt 17.6m shares in a special sale at A$1.56 per share just before the close.

NEW ZEALAND rallied on bargain hunting following the steady decline over the last few weeks. The Barclays index closed 18.15 or 1.3 per cent up at 1,440.43. Volume eased to NZ$11.2m from NZ$11.5m.

Fletcher Challenge led other blue chips higher as it rose 9 cents to NZ$3.63 on the day's heaviest turnover of 1.1m shares. Robt Jones Investments shed 3 cents to 49 cents on volume of 1m shares after Friday's news of an overall loss of NZ$40.2m in its fiscal year ended March 31, due to big writedowns on property at home and in Australia.

MANILA tumbled 4.1 per cent on panic selling after the violent eruption of the Mount Pinatubo volcano. The composite index closed down 46.53 at 1,095.09 on volume of 204m pesos, against 158m.

SEOUL fell in spite of government intervention. The composite index ended at 608.77, off 4.80 from Saturday, after thin volnme of Won69.9bn. The Stabilisation *Fund placed* Won15bn worth of buy orders and three state investment trust concerns bought Won3.5bn of stocks but failed to reverse the losses.

BOMBAY's index peaked at *1,323.39* before *finishing* up 14.40 at 1,307.21 on expectations that the Congress party would form the next government in spite of falling short of a majority in the elections.

SINGAPORE's Straits Times Industrial index rose 6.58 to 1,534.08 on volume of S$61.29m, after S$66.13m. KUALA LUMPUR's composite index gained 5.18 to 632.31 on 43m shares traded (41.1m).

Finland and Mexico register big declines

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	-2.82	-0.39	-17.30	+15.91	+13.75	-3.34
Belgium	+0.06	-1.96	-9.01	+16.44	+15.09	-2.20
Denmark	+1.92	+4.81	-1.42	+22.59	+20.86	+2.54
Finland	-6.85	-2.38	-18.24	+18.42	+18.77	+0.92
France	-0.02	+1.05	-10.30	+20.52	+18.72	+0.89
Germany	-0.42	+5.06	-8.53	+15.44	+18.48	-1.02
Ireland	-2.21	+0.32	-17.21	+18.83	+17.57	-0.09
Italy	+0.04	+9.51	-22.90	+17.77	+17.22	-0.38
Netherlands	+0.49	+3.93	+2.98	+21.44	+19.81	+1.84
Norway	-3.02	-0.93	-11.96	+11.80	+10.44	-6.15
Spain	-0.42	-0.34	+1.30	+27.00	+27.90	+8.88
Sweden	+0.05	+9.71	-7.72	+34.04	+37.29	+16.87
Switzerland	-0.61	+3.25	-6.14	+22.96	+20.39	+2.31
UK	+0.75	+2.44	+3.87	+17.57	+17.57	-0.10
EUROPE	+0.18	+2.84	-3.38	+19.17	+18.35	+0.58
Australia	+2.23	-1.82	+2.24	+19.00	+37.23	+16.62
Hong Kong	+0.32	-5.65	+14.78	+23.86	+47.14	+25.03
Japan	-0.09	-1.52	-19.02	+10.86	+25.73	+9.24
Malaysia	+0.07	+4.64	+8.67	+15.14	+31.18	+11.47
New Zealand	-0.90	-8.93	-25.63	+12.01	+28.46	+9.12
Singapore	-1.83	+1.22	-5.82	+29.20	+47.76	+25.55
Canada	-0.52	+3.11	-0.19	+7.53	+28.48	+9.18
USA	+0.64	+2.81	+5.44	+18.06	+36.58	+18.06
Mexico	-6.04	+4.97	+101.22	+76.04	+102.87	+72.39
South Africa	+2.85	+8.75	+8.70	+20.59	+43.85	+22.23
WORLD INDEX	+0.29	+1.22	-5.57	+15.19	+28.33	+9.04

† Based on June 14th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Ltd

By William Cochrane

ONCE AGAIN the big battalions had little to show at the end of last week, as the FT-Actuaries World Index rose just 0.3 per cent in local currency terms, modest gains in the US and the UK outweighing an even more modest decline in Japan.

In Tokyo, the market had to work hard to recover a 1.7 per cent decline sustained in the Nikkei index on Monday, June 10, as the yen eased and interest rates rose. Another short-lived excitement was a jump in the turnover figures last Friday, zooming from 270m shares to 900m on arbitrage-related transactions.

Recovery prospects explain the rises in the US and the UK; but the US outlook is clouded. The technical analysis team at James Capel said last Wednesday that its charts indicated a global bull market but that the two most worrying trends were those in US bonds, and on US interest rates. "They are at the cliff's edge," said the team, "and if they fall off this will undo the entire premise on which the bull move is based."

More broadly, they say that many markets are suffering indigestion from too many rights issues or initial public offerings, and have left fund managers temporarily short of cash. Some of this year's corporate profits figures, they add, have been similarly indigestible.

However, the Capel team conclude that all markets have a seasonal variation: "If they are going to wobble on the trend, they do it now. On balance," they say, "we expect these bouts of gloom to produce better buying chances."

Last week's big buying chances, on this argument, were in the peripheral markets of Finland and Mexico, down by 6.8 and 6.0 per cent respectively. Helsinki had its latest finrry in the third week of May, following Sweden's May 17 decision to link the krona with the Ecu, which was followed, as expected, by a Finmark/Ecu link on June 7.

Mr David Roche, the Morgan Stanley strategist, argued at the end of May that Finland's integration with Europe, and the opening up of its equity market make Helsinki equities a cheap, long term investment. However, the illiquidity of the market and the high premiums on some free shares have made one or two shares vulnerable in the short term: Pohjola, the insurance company, saw its free shares drop 14 per cent last week and Nokia free preferred fell 9.5 per cent.

Mexico, says Ian Rolfe of Bear Stearns, has been rising all year until last week. Even this week, it is the best performing index of the year by a wide margin, followed by Sweden in Europe and Singapore in the Pacific Basin. Its fall was precipitated by the price Probursa, the brokerage house, was willing to pay to acquire Multibanco Mercantil, one of the 18 Mexican banks being privatised by the government over the next two years.

Probursa's successful bid priced Multibanco at 2.66 times book value. Industrial groups in Mexico saw this, and took profits on their existing equity holdings to bid for the other banks; investors switched out of industrials into banks, and the sector rose while the general indices fell.

EUROPE

Bayer features as Frankfurt rally peters out

FT-SE Eurotrack 100 - Jun 17

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1155.69	1156.22	1155.81	1154.24	1152.08	1151.99	1151.03	1149.39

Day's High 1156.68 Day's Low 1148.81

June 14	June 13	June 12	June 11	June 10
1152.21	1149.95	1152.03	1159.97	1155.46

Base value 1000 (26/10/90)

CARMAKERS scored the share price gains, but Bayer, one of the big three chemical groups, took the top place in trading volume as Frankfurt tried to take the initiative yesterday, *writes Our Markets Staff.*

FRANKFURT ran out of the early enthusiasm it gained from a rally in the automotive sector, although the carmakers managed to hold on to most of their gains. The FAZ index rose 4.39 to 717.43 in midsession but the DAX ended only 1.24 higher at 1,701.07, against an intraday high of 1,718.21.

Volume climbed from DM7.2bn to DM8.5bn. Daimler rose DM11 to DM770 and Volkswagen added DM5.50 to DM412.10 on buying linked to the expiry of options this week, recovery prospects for the US economy, and the strong dollar which also left Porsche DM20 higher at DM885.

Individual situations incinded a DM13.30 rise to DM376.50 in Viag, the packaging, energy and chemicals group which has received EC approval for its bid to buy Continental Can Europe; and a DM4.50 rise to DM203 in Continental, the German tyre company, as Pirelli Spa endeavoured to maintain its bargaining position in its extended courtship of the company.

Chemical shares were mostly lower, as Degussa dropped DM9.80 to DM363 and BASF by DM4.90 to DM250.60. BASF's east German Schwarzheide unit said on Sunday that it had had a disastrous decline in business in tbs first five months of the year. Meanwhile, Bayer fell DM3.10 to DM281.50; it is going ex dividend on Thursday and London analysts said that this could explain why the stock led the most active list as it turned over DM1.5bn yesterday.

PARIS had a very dull morning, with only FFr600m traded by lunchtime. Activity picked up in the afternoon and the day's volume was estimated at FFr1.5bn while block sales *boosted the figure to around* FFr2.2bn. The CAC 40 index fell 13.32 to 1,844.85, near the day's low of 1,837.26.

Elf was the most active stock of the day as it ended 90 centimes off at FFr327.60. The Norwegian government yesterday approved Elf's purchase of Noco, a private oil consortium.

Lafarge Coppée fell FFr5 to FFr394.50 with 324,910 shares traded, weighed down by its launch of a 500m eurofranc zero coupon bond and Saint-Gobain's profit warning last Friday.

Accor, the hotel and restaurant group, fell FFr3 to FFr795 in heavy trading of 314,550 shares on a report that it might have to pay a premium for a stake in Belgium's Wagons-Lits. Courcoux-Bouvet crossed a block of Accor 280,000 shares at FFr775.

MILAN opened the July trading account on a positive note. The Comit index rose 4.02 to 609.94 in volume estimated more than L200bn but less than Friday's L280bn which had been boosted by end-account activity.

Shares controlled by Mr Carlo De Benedetti continued to advance. Cir rose another L45 to L3,095 after Friday's 4.5 per cent rise and Olivetti added L123 to L4,285. One analyst who had visited Cir recently said the holding company had a reasonably bullish outlook for most of its subsidiaries, apart from the component makers Valeo and Sogefi. After the recent rationalisation and divestments, Cir was now able to concentrate on its core activities. The outlook for Olivetti was also improving, he said. He expected the computer company to report steady profits in 1991, no bad thing considering the climate in the computer industry.

The investment group Sopaf rose L100 to L4,155 on news that it had sold its 5 per cent stake in Conti to Elektrowatt AG of Switzerland, while Pirelli Spa rose L15 to L2,030 on news that it bought a three-year call option on the stake from Elektrowatt.

The most obvious laggard was Fiat which fell L45 to L6,570. Standard & Poors, the US credit agency, said that it had lowered the commercial paper ratings on Fiat units to A-1 from A-1 plus, citing the group's weakened financial profile following a sharp fall in profits in 1990.

STOCKHOLM recovered from a weak opening on demand for Volvo. The Affärsvärlden general index rose 8.1 to 1,129.8 in thin volume of SKr319m after SKr311m.

Volvo free B shares rose SKr12 to SKr378 on news that the sale of its stake in Norway's Saga Petroleum would realise capital gains of around SKr1bn.

ZURICH saw buying interest in industrials and chemicals after Wall Street's gains on Friday, and the Crédit Suisse index rose 3.0 to 549.7. Nestlé bearers rose SFr40 to SFr8,650 and Brown Boveri's by SFr60 to SFr4,570. Among chemicals, Ciba-Geigy bearers put on SFr30 to SFr3,060 and Roche certificates closed SFr80 higher at SFr4,880.

AMSTERDAM drifted down from a firmer opening as buy orders petered out. The CBS tendency index closed 0.3 higher at 96.2 after reaching an early high of 96.5. KLM, the national airline, continued last week's advance and soared Fl 1.30 or 4.4 per cent to a new 1991 high of Fl 30.60.

SOUTH AFRICA

JOHANNESBURG ended mixed in quiet trading as softer bullion prices nudged gold shares lower. The all-gold index fell 30 to 1,319 but the industrial index continued to test new highs, rising to a new peak of 3,768, up 8.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 14 1991								THURSDAY JUNE 13 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	137.67	+1.4	124.45	122.26	128.04	121.14	+1.1	5.39	135.70	122.83	121.25	126.85	119.82	147.30	112.74	138.17
Austria (20)	190.07	−0.1	171.83	168.81	176.79	177.30	−0.5	1.54	190.29	172.24	170.03	177.68	178.21	222.37	167.00	242.62
Belgium (49)	129.31	+0.6	118.80	114.84	120.27	117.51	−0.1	5.03	128.51	116.32	114.82	120.13	117.58	151.20	121.73	149.79
Canada (115)	141.97	+0.5	128.34	126.08	132.04	117.50	+0.3	3.31	141.31	127.90	126.25	132.08	117.11	142.27	126.49	138.34
Denmark (37)	238.54	+0.1	215.64	211.85	221.86	224.10	−0.2	1.51	238.42	215.80	213.03	222.87	224.47	270.56	217.74	258.60
Finland (18)	104.09	−1.4	94.10	92.45	96.81	92.91	−1.5	2.44	105.55	95.54	94.32	98.67	94.34	125.15	90.61	134.80
France (114)	132.82	+0.7	120.18	118.04	123.62	126.72	+0.4	3.49	131.97	119.45	117.90	123.35	126.22	152.26	121.85	157.30
Germany (65)	110.78	+1.2	100.13	98.38	103.02	103.02	+0.7	2.17	109.46	99.08	97.82	102.32	102.32	125.35	102.43	125.18
Hong Kong (55)	152.30	+0.4	137.68	135.26	141.66	151.07	+0.3	5.13	151.71	137.32	135.55	141.82	150.59	161.77	118.62	132.36
Ireland (18)	148.33	+1.0	134.09	131.73	137.96	139.85	+0.5	3.65	146.88	132.95	131.24	137.30	139.18	182.46	132.88	189.55
Italy (77)	78.01	−0.1	70.52	69.28	72.55	77.69	−0.3	2.98	78.09	70.68	69.77	72.99	77.96	88.23	72.05	107.71
Japan (474)	133.30	+1.1	120.50	118.38	123.99	118.38	+0.5	0.71	131.82	119.31	117.78	123.23	117.78	145.97	118.35	149.68
Malaysia (68)	236.47	+0.8	213.77	210.00	219.83	254.09	+0.6	2.57	234.66	212.40	209.66	219.35	252.56	247.75	192.83	227.15
Mexico (15)	1007.52	+1.1	910.82	894.80	937.09	3321.79	+1.1	1.94	996.81	902.23	890.65	931.79	3286.47	1079.72	534.45	526.65
Netherland (31)	136.17	+0.8	123.10	120.93	126.65	125.23	+0.3	4.25	135.07	122.26	120.69	126.27	124.84	145.73	125.70	139.11
New Zealand (13)	47.37	+0.7	42.83	42.08	44.06	43.92	+0.4	8.04	47.05	42.58	42.04	43.98	43.73	54.64	41.18	65.72
Norway (32)	191.70	+0.2	173.30	170.26	178.31	182.27	+0.0	1.81	191.29	173.14	170.92	178.62	182.33	223.24	182.24	233.89
Singapore (38)	199.97	−0.3	180.78	177.60	185.99	164.86	−0.3	2.06	200.67	181.63	179.30	187.58	165.44	208.25	151.63	206.60
South Africa (61)	223.54	+1.4	202.09	198.53	207.91	164.25	+0.4	3.34	220.39	199.48	196.91	206.01	163.58	225.15	173.00	170.00
Spain (55)	152.50	−0.3	137.86	135.44	141.84	128.99	−0.2	4.14	152.96	138.45	136.67	142.98	129.28	171.12	131.51	159.44
Sweden (26)	186.03	−0.1	168.17	168.22	173.03	177.97	−0.3	2.49	186.28	168.60	166.44	174.13	178.49	204.12	146.60	213.70
Switzerland (58)	90.98	+1.5	82.25	80.81	84.84	86.44	+1.1	2.22	89.68	81.17	80.13	83.84	85.48	100.87	82.17	103.17
United Kingdom (239)	165.51	+0.4	149.63	146.98	153.93	149.63	+0.3	4.91	164.82	149.18	147.25	154.06	149.18	187.44	156.27	165.15
USA (525)	154.72	+1.2	139.87	137.42	143.91	154.72	+1.2	3.14	152.93	138.42	136.65	142.98	152.93	158.24	125.95	146.69
Europe (837)	135.29	+0.6	122.30	120.15	125.84	124.38	+0.3	3.82	134.51	121.75	120.19	125.75	123.99	151.52	125.50	147.00
Nordic (111)	179.46	−0.1	162.23	159.38	166.91	163.60	−0.2	1.96	179.55	162.51	160.43	167.84	164.00	200.81	155.55	204.87
Pacific Basin (718)	133.80	+1.1	120.96	118.84	124.45	119.25	+0.5	1.07	132.36	119.80	118.26	123.73	118.63	145.92	117.86	148.55
Euro – Pacific (1555)	134.73	+0.9	121.80	119.65	125.30	122.18	+0.4	2.17	133.54	120.87	119.31	124.83	121.64	147.66	121.29	148.31
North America (640)	153.84	+1.1	139.08	136.65	143.11	152.22	+1.1	3.15	152.12	137.69	135.94	142.22	150.53	157.04	125.91	146.08
Europe Ex. UK (598)	116.78	+0.7	105.57	103.73	108.64	109.60	+0.3	3.05	115.98	104.98	103.65	108.44	109.24	129.80	106.85	134.70
Pacific Ex. Japan (244)	138.43	+0.8	125.15	122.97	128.77	125.29	+0.6	4.68	137.32	124.29	122.71	128.37	124.52	145.66	111.40	134.56
World Ex. US (1746)	136.37	+0.9	123.28	121.12	126.84	123.22	+0.4	2.23	135.18	122.35	120.79	126.37	122.68	148.18	122.32	148.42
World Ex. UK (2032)	139.23	+1.1	125.86	123.66	129.51	131.38	+0.8	2.31	137.78	124.71	123.11	128.81	130.35	145.77	120.08	144.85
World Ex. So. Af. (2210)	141.02	+1.0	127.49	125.26	131.18	132.87	+0.7	2.55	139.65	126.40	124.79	130.55	131.94	148.68	122.92	146.50
World Ex. Japan (1797)	147.25	+0.9	133.11	130.78	136.96	141.05	+0.8	3.46	145.90	132.06	130.37	136.40	139.93	152.83	126.69	146.55
The World Index (2271)	141.54	+1.0	127.96	125.71	131.66	133.14	+0.7	2.56	140.18	126.86	125.23	131.02	132.20	149.01	123.26	146.65

Latest prices were unavailable for this edition.